



Economic Forecasting Project

Old Dominion University 2013 Economic Forecast

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www.odu.edu/forecasting

Presentation outline

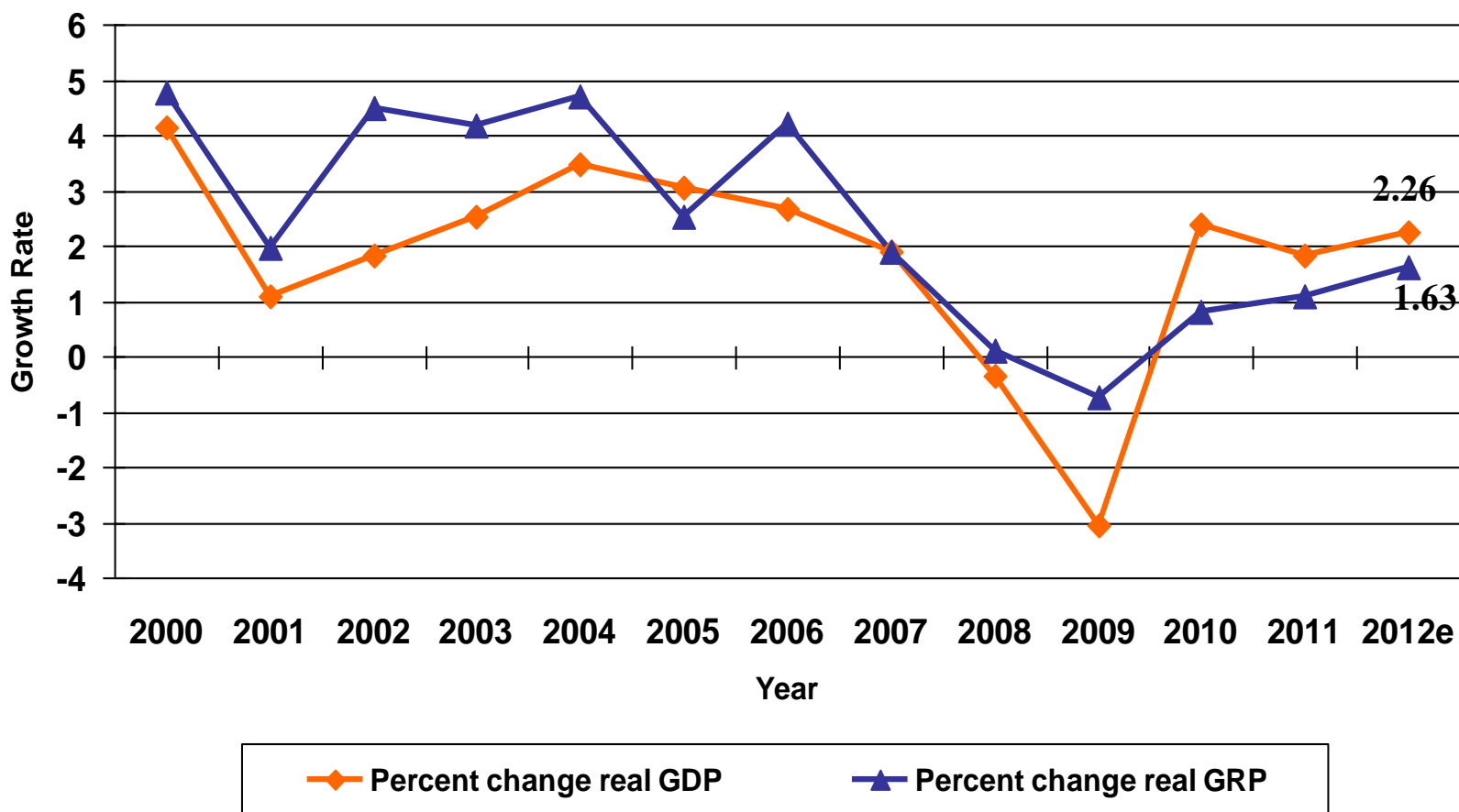
- A. Performance of local economy in 2012
- B. Jobs, Employment, and Unemployment Rate
- C. Taxable Sales and Hotel Revenue
- D. Port and Cargo
- E. Residential Market in Hampton Roads: Supply and Demand environment
- F. Forecast for 2013

Old Dominion University 2012 Hampton Roads Scorecard

	Actual Change 2012	Predicted Change 2012
Real GRP (2005=100)	+1.63%	+1.97%

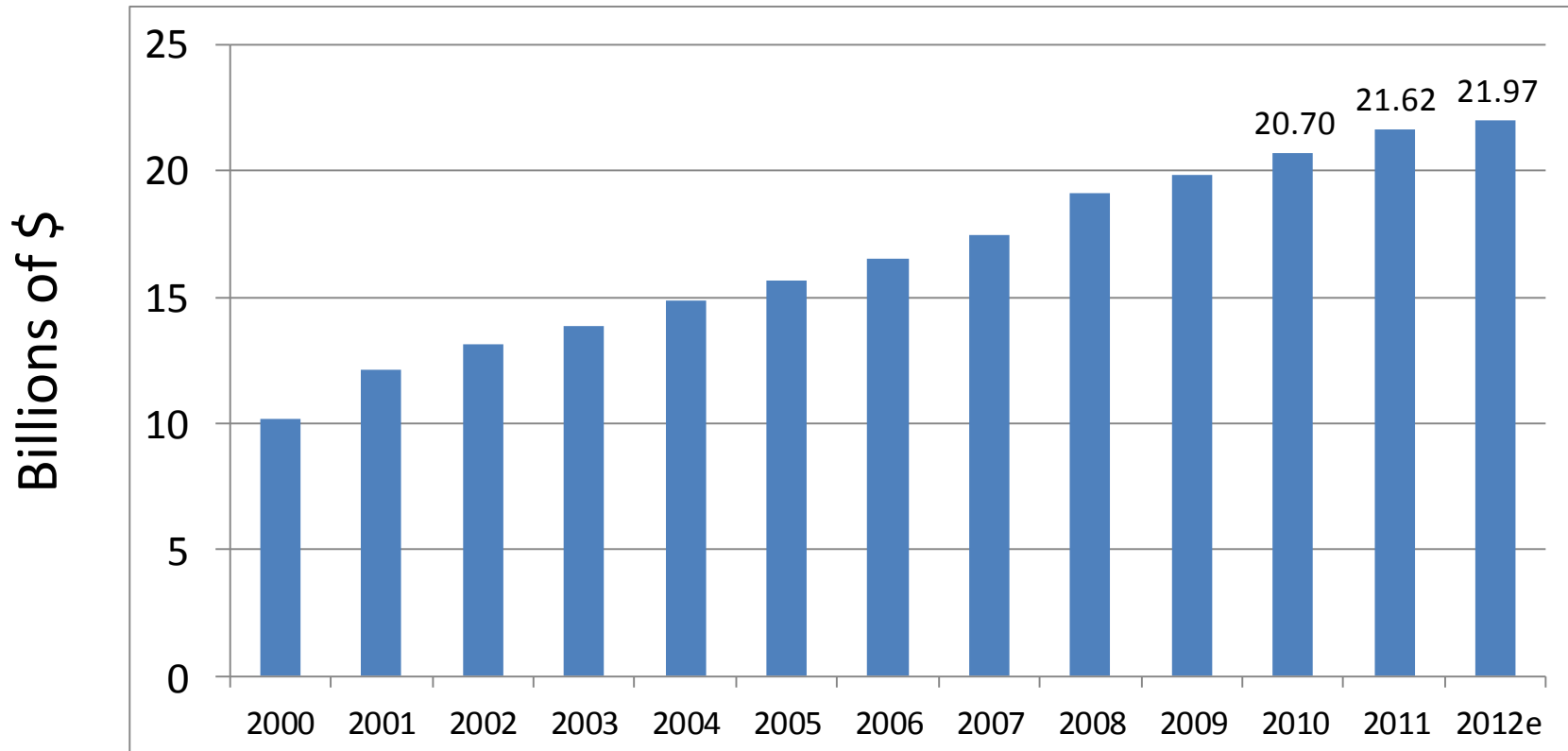
Rate of Growth of GDP(US) and GRP(Hampton Roads)

2000- 2012



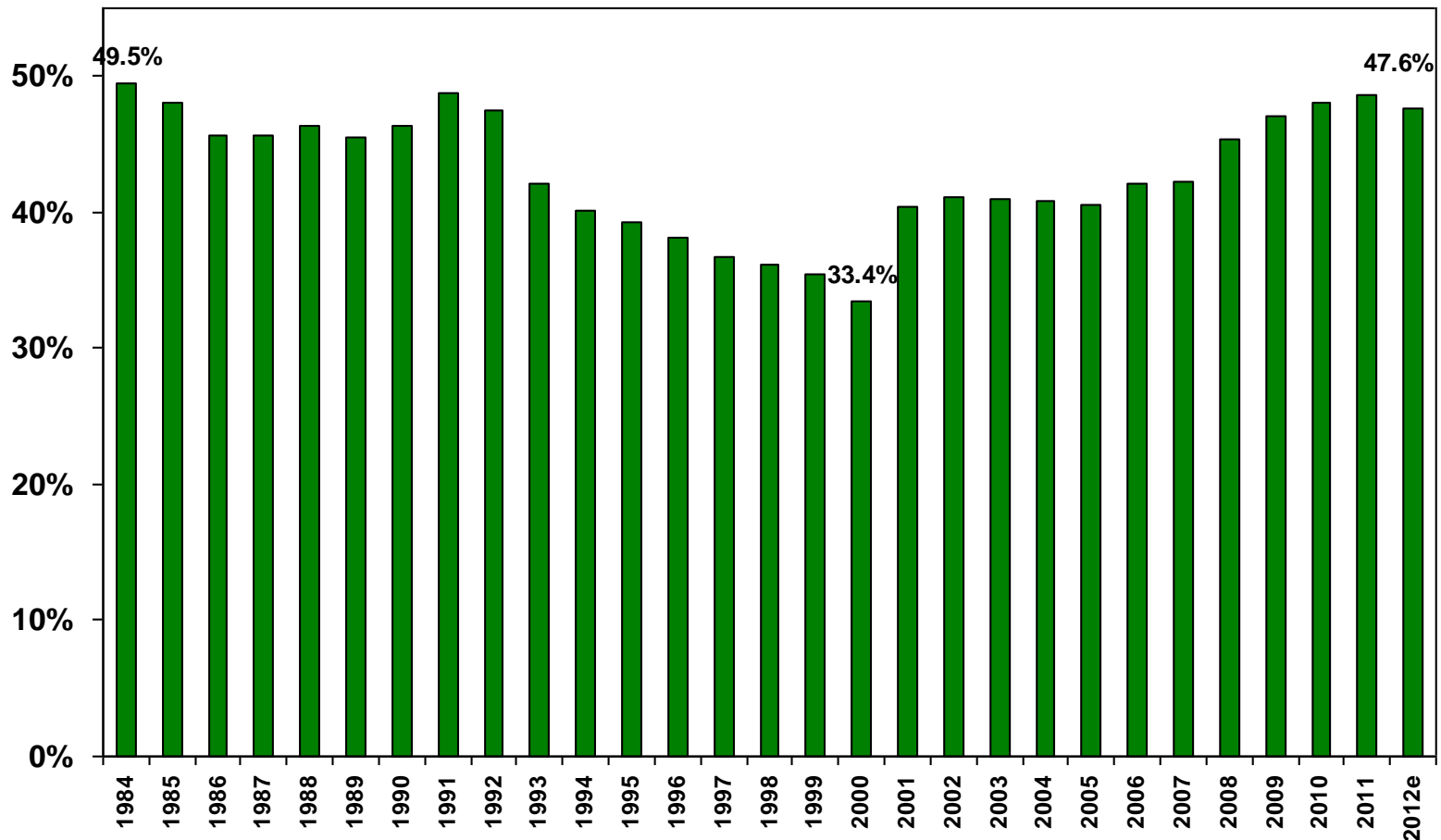
Estimated Direct DOD Spending in Hampton Roads

2000 to 2012



Hampton Road's Gross Regional Product Attributable to DOD Spending

1984-2012



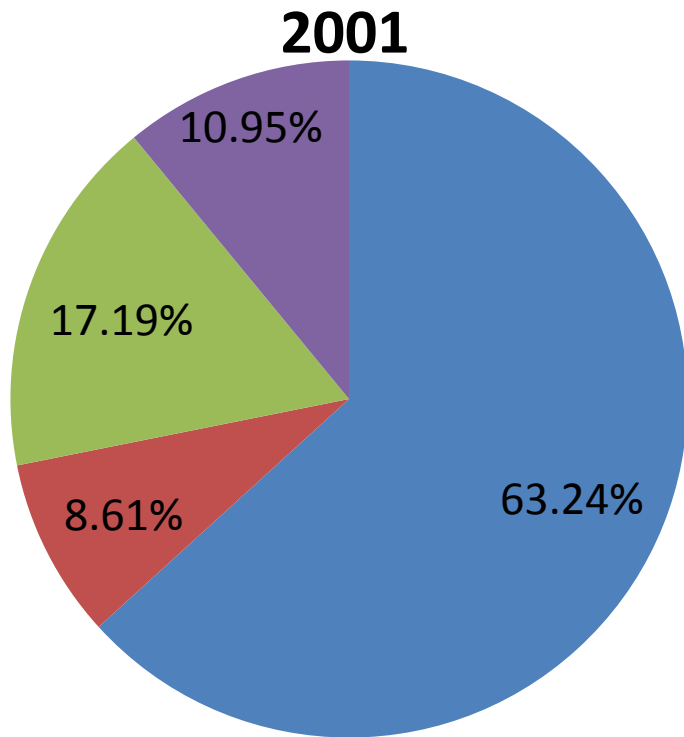
Estimated Average Total Compensation (Wages, Salaries and Fringe Benefits) Selected Categories

Hampton Roads: 2001 to 2011

	Earnings in 2001	Earnings in 2011	Percent Increase
Military	\$56,811	\$112,436	97.9%
Federal Civilian Govt. Employees	\$70,742	\$104,504	47.7%
State and Local Govt. Employees	\$38,730	\$54,009	39.5%
Private Sector	\$32,988	\$43,783	32.7%

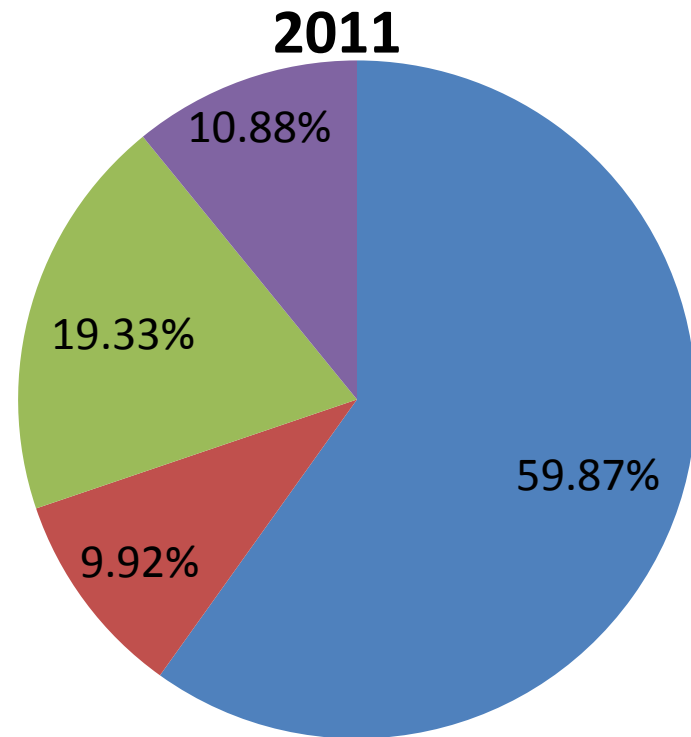
Shares of Selected Sectors Measured by Total Compensation

Hampton Roads: 2001 and 2011



■ Share of private sector

■ Share of Federal Civilian Government

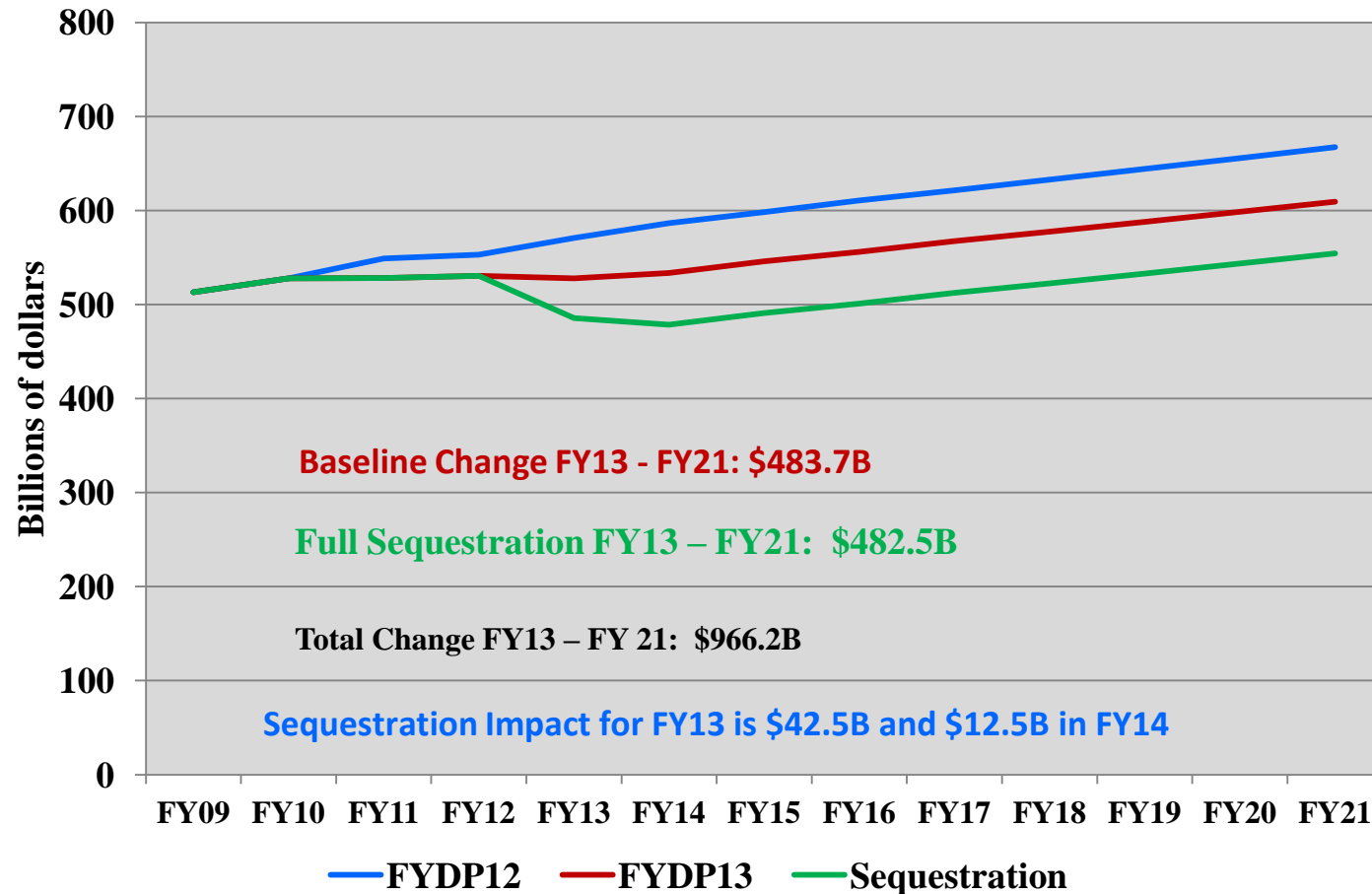


■ Share of Military

■ Share of State & Local Government

Defense Base Budget

FY 2009 through FY 2021



Estimated Effect of Potential Additional Reduction in DOD Spending

Beginning in March 2013 for Hampton Roads

	Reduction in DOD Spending	GRP Loss	Job Loss	Jobs as a Percent of MSA Total	Percent GRP Loss
CBO Estimate (7 percent)	\$1.54 billion	\$2.85 billion	28,738	2.90%	3.33%
Center for Strategic and Budgetary Assessment (10.3 percent)	\$2.26 billion	\$4.19 billion	42,286	4.26%	4.90%

Old Dominion University 2012 Hampton Roads Scorecard

	Actual Change 2012*	Predicted Change 2012
Civilian Employment**	0.72%	+0.90%
Unemployment Rate	6.42%	6.20%

Source: Old Dominion University Economic Forecasting Project. Figures for calendar year 2012 include predicted values for December 2012. **Employment data will be revised by U.S. BLS in March 2013.

Year Over Year Change in Labor Force, Employment, Unemployment, and Unemployment Rate

Hampton Roads: 2011 to 2012 YTD November

	Change 2011-2012
Labor Force	2,414
Employment	6,872
Unemployment	-4,458
Unemployment Rate	-0.55

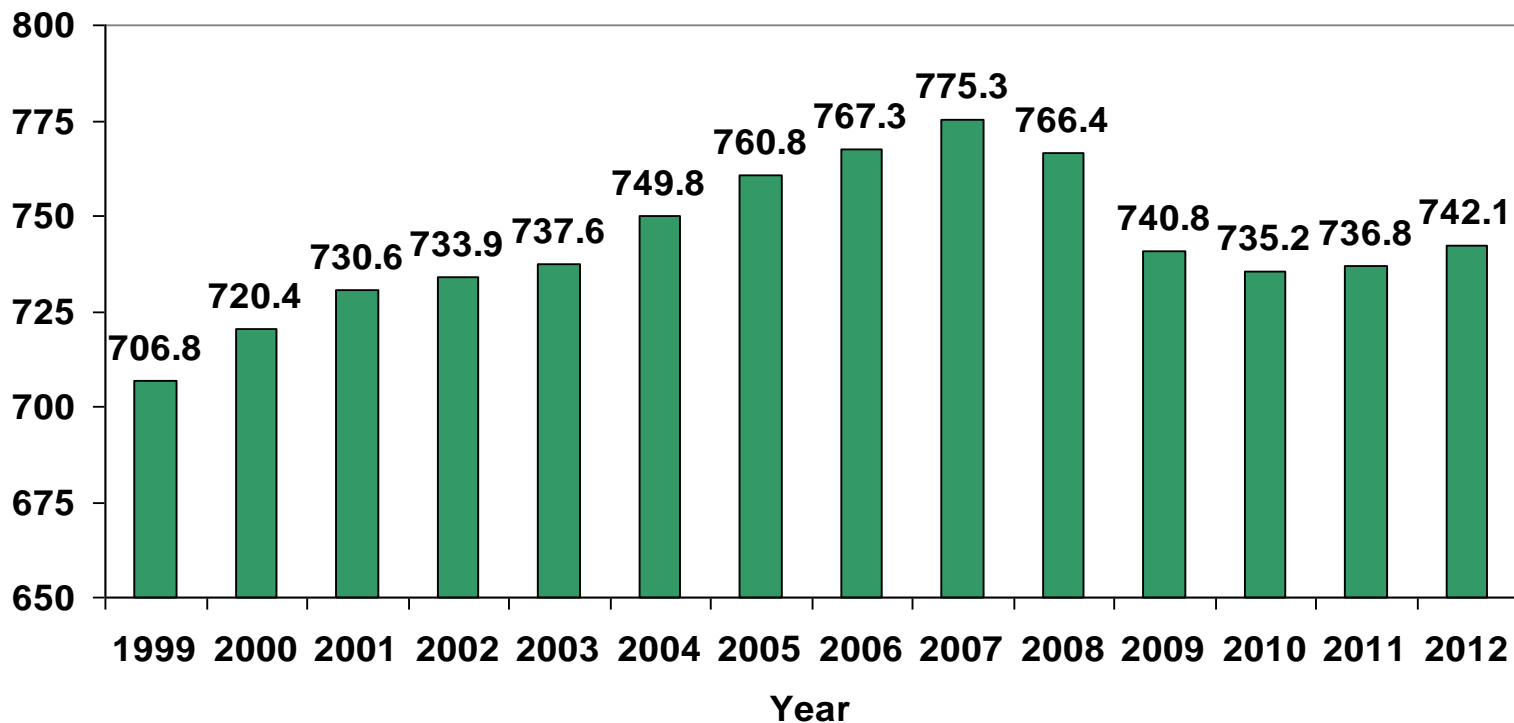
Year Over Year Civilian **Job** Gains/Losses

Hampton Roads: 2011 to 2012

	Change 2011-2012
All Civilian Jobs	5,300
Private Sector Jobs	2,800
Federal and State Government Jobs	1,900
Local Government Jobs	600

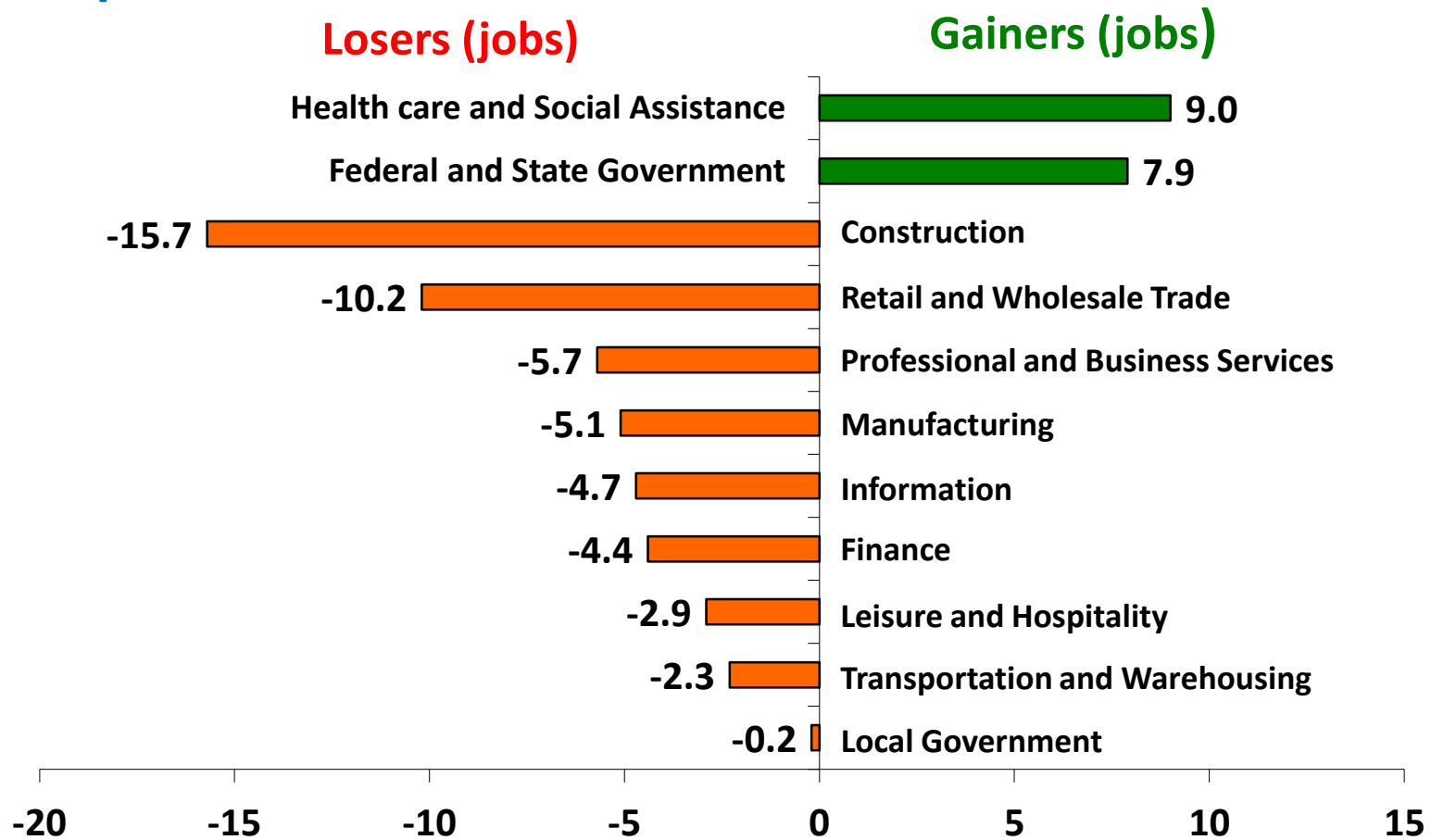
Civilian Employment (JOBS)

Hampton Roads: 1999 to 2012



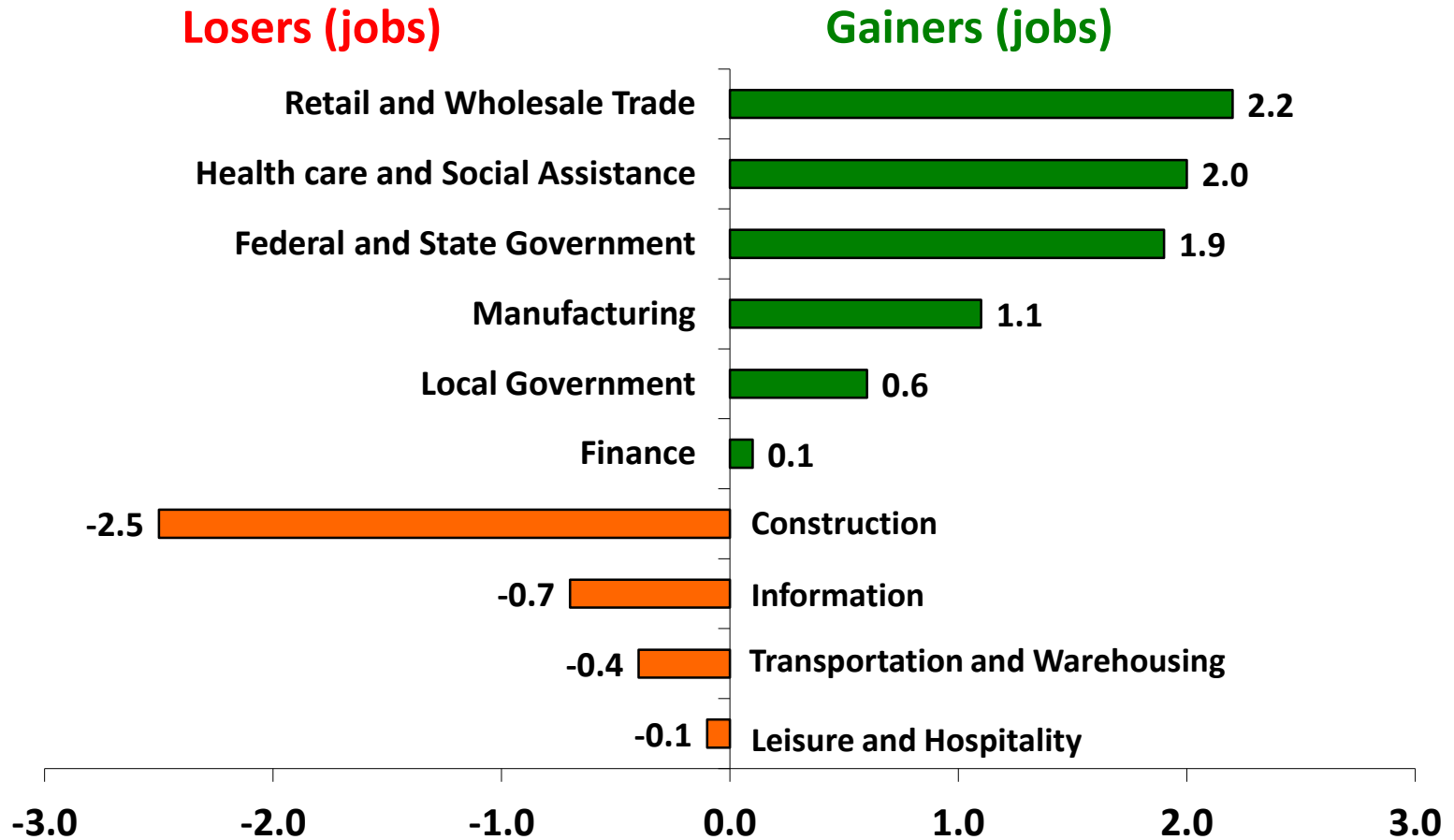
Job Gains and Loses (In Thousands)

Hampton Roads : 2007 to 2012



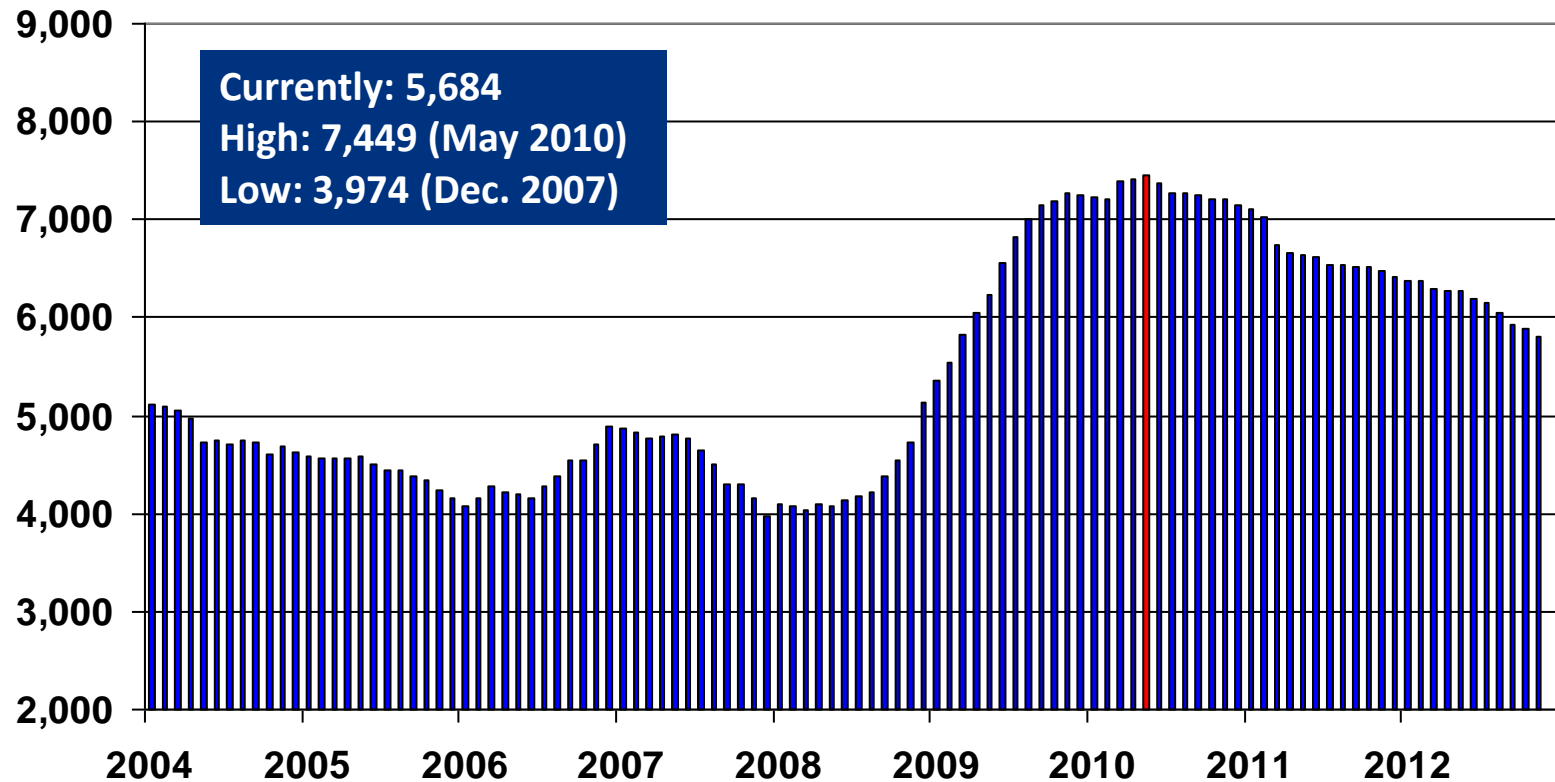
Job Gains and Loses (In Thousands)

Hampton Roads: 2011 to 2012



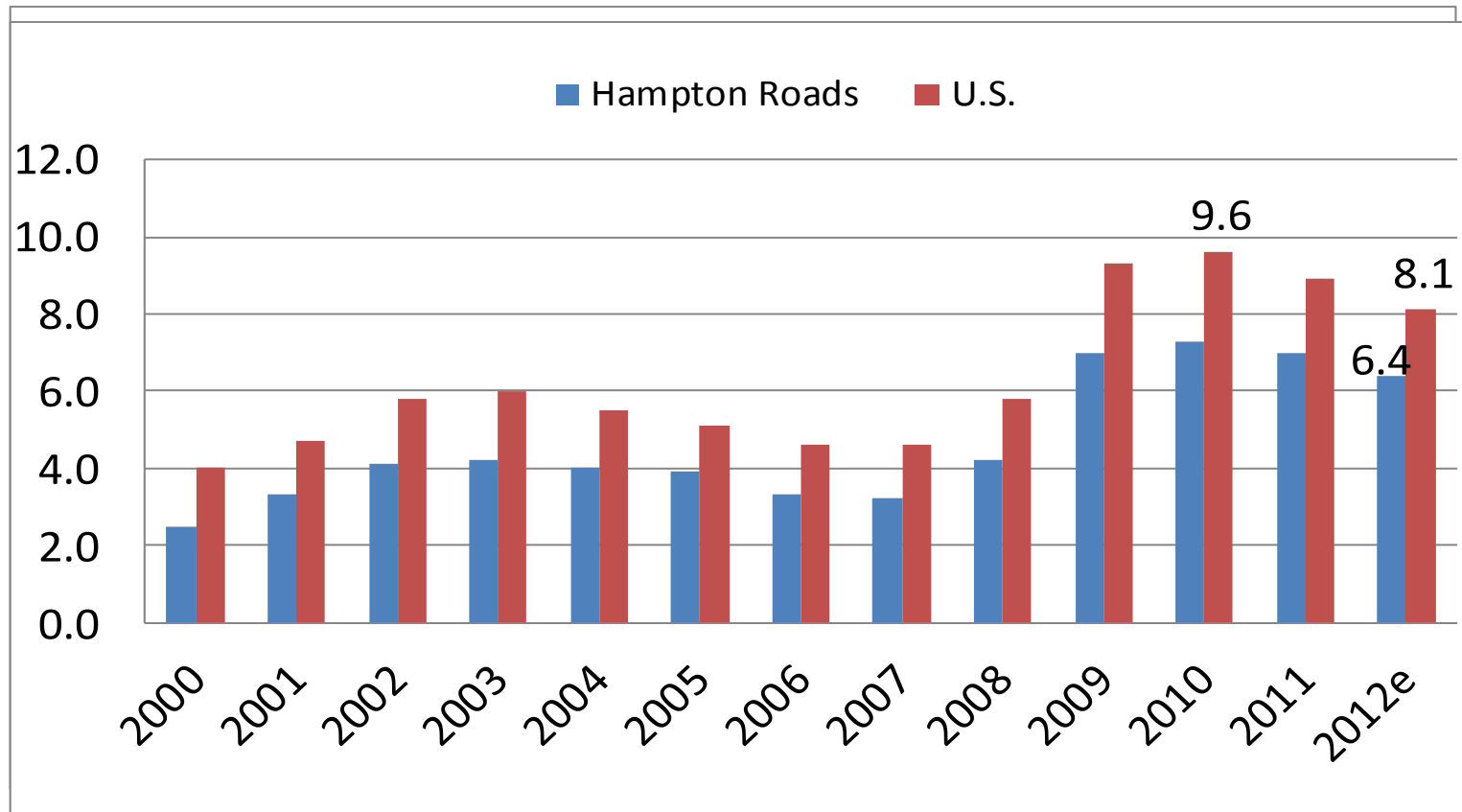
Monthly Initial Unemployment Claims- 12 Month Moving Average

Hampton Roads: January 2004 to December 2012



Hampton Roads and U.S. Annual Unemployment Rate

2000 to 2012



Old Dominion University 2012 Hampton Roads Scorecard

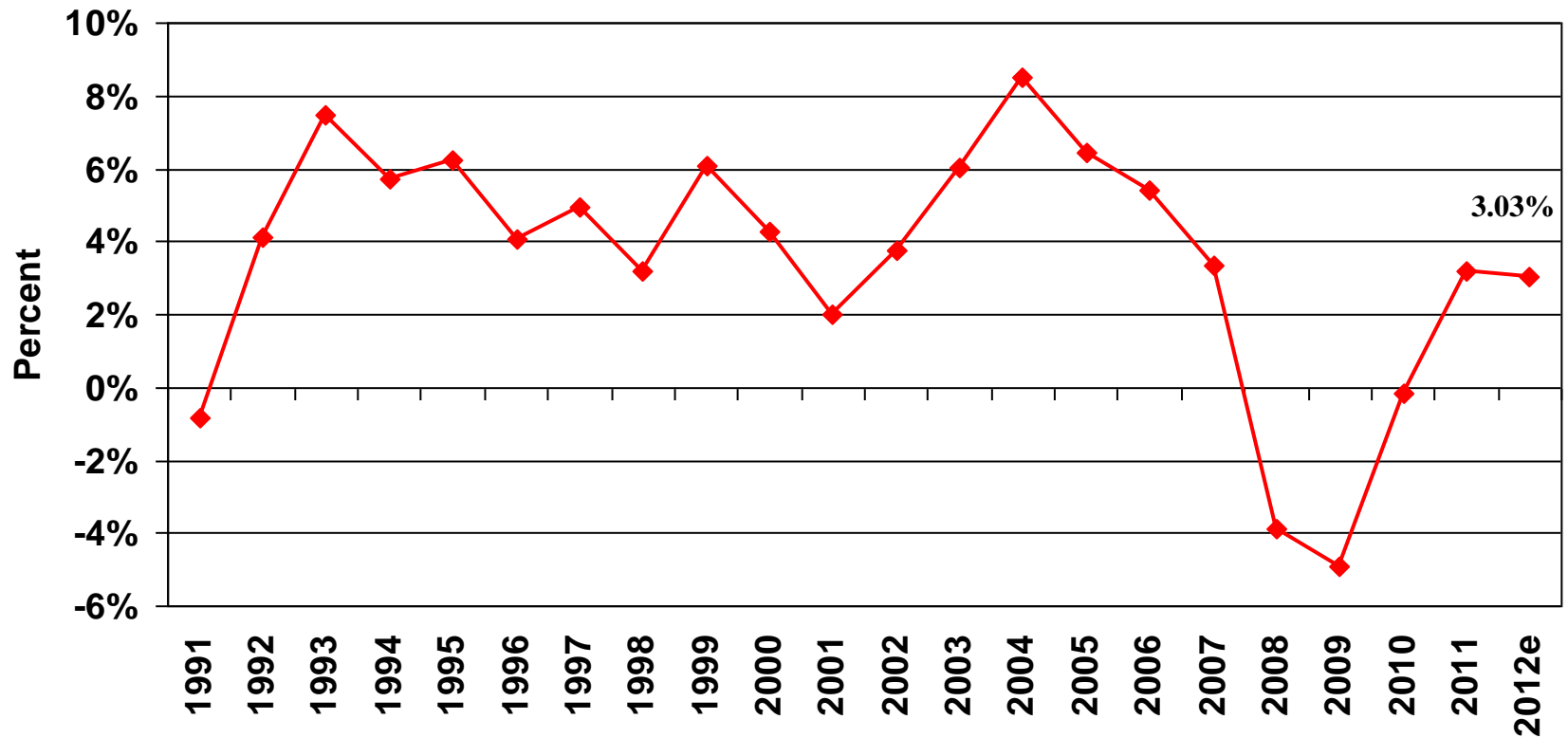
	Actual Change 2012*	Predicted Change 2012
Taxable Sales	+3.0%	+3.8%
Hotel Revenue	+4.5%	+2.6%

Source: Virginia Department of Taxation, Smith Travel Research and the Old Dominion University Economic Forecasting Project.

*Figures for calendar year 2012 include predicted values for December 2012.

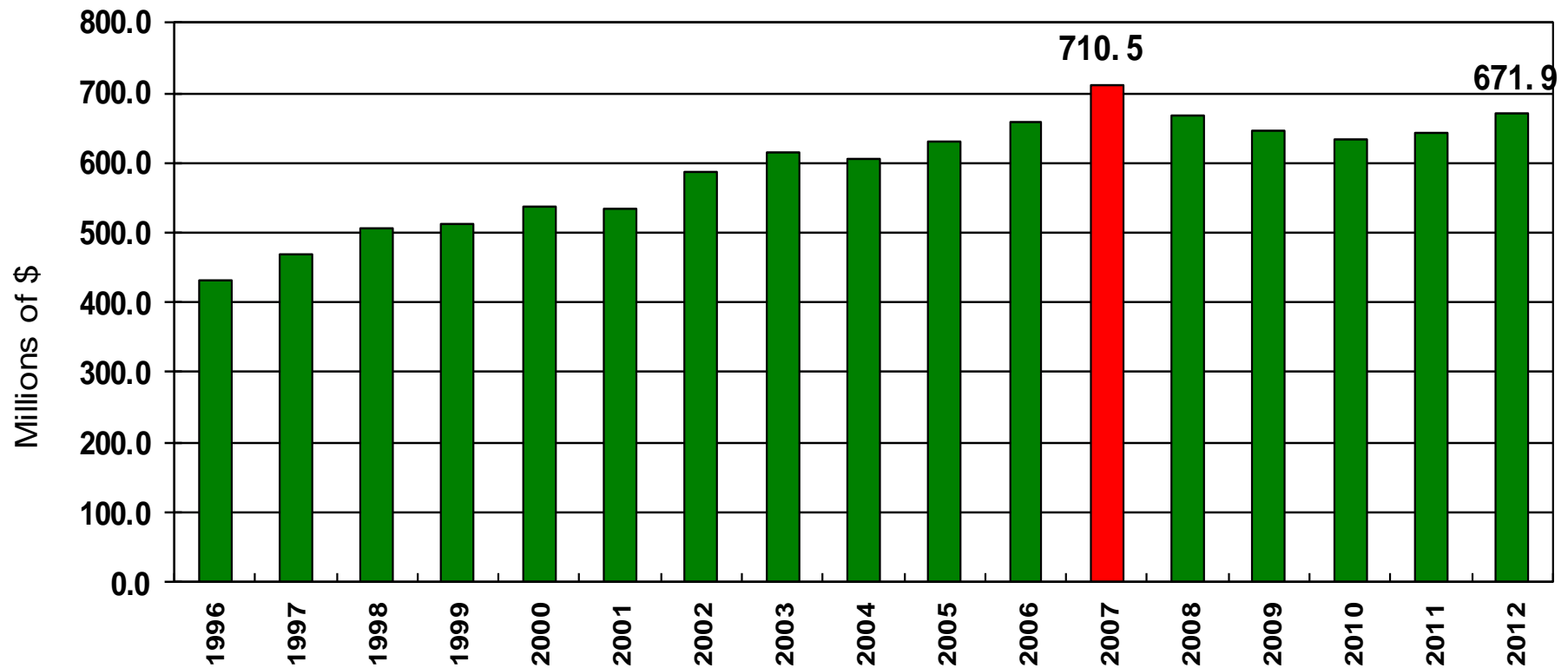
Rate of Growth of Taxable Sales

Hampton Roads: 1991 to 2012



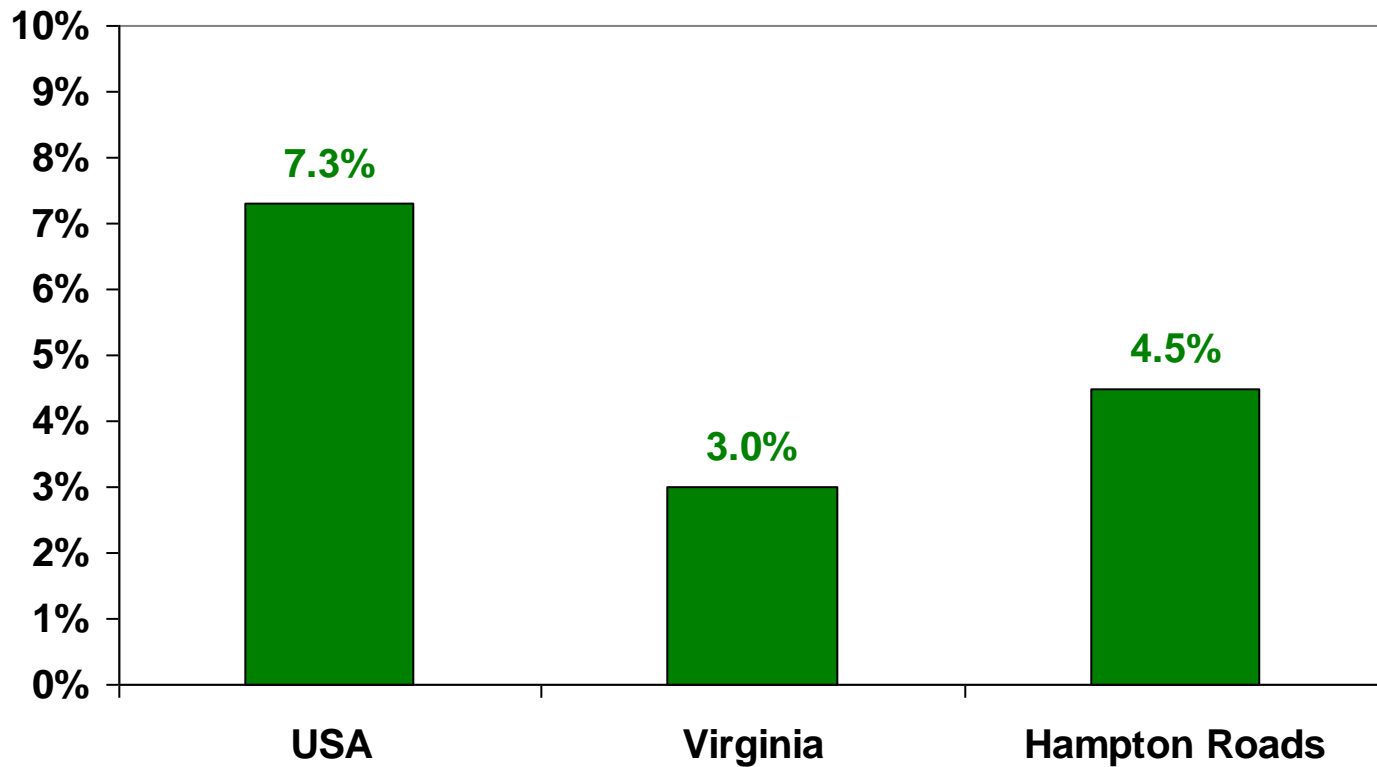
Hotel Revenue in Hampton Roads

1996-2012



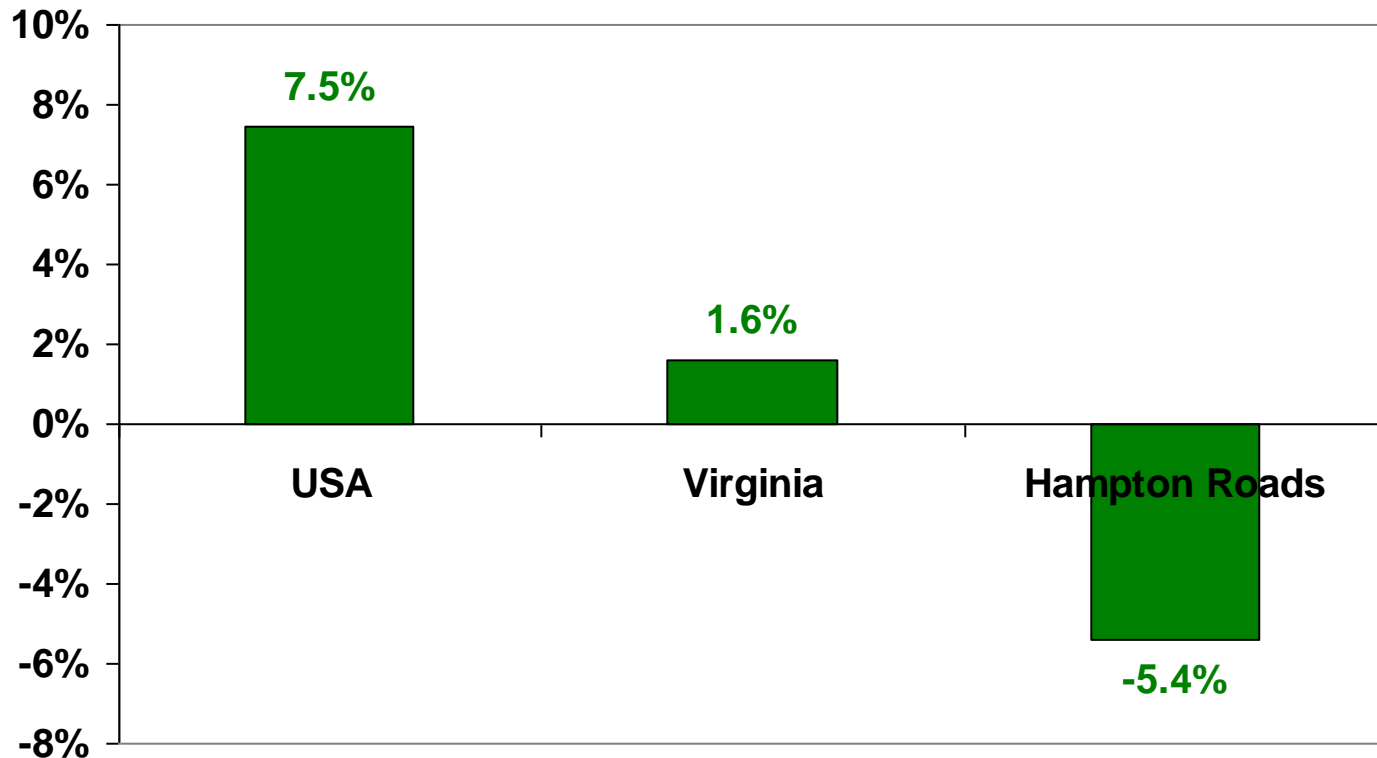
Percent Change in Hotel Revenue in Selected Areas

2011 to 2012



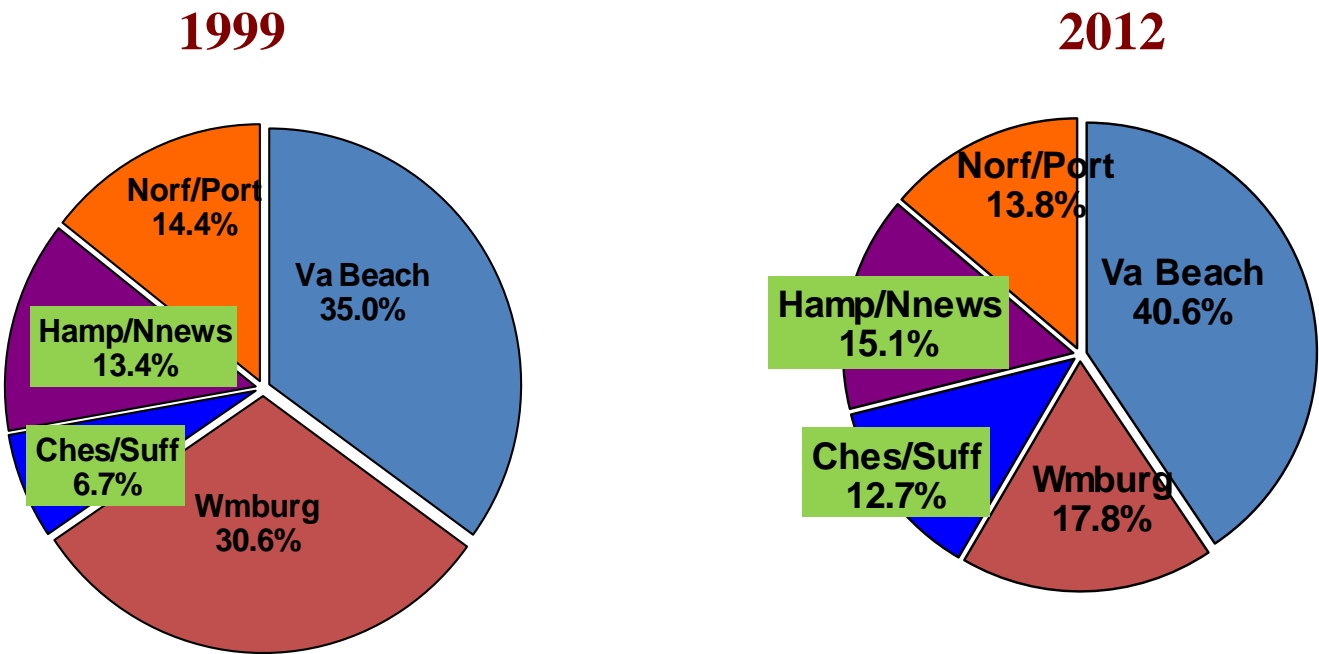
Percent Change in Hotel Revenue in Selected Areas

2007 to 2012



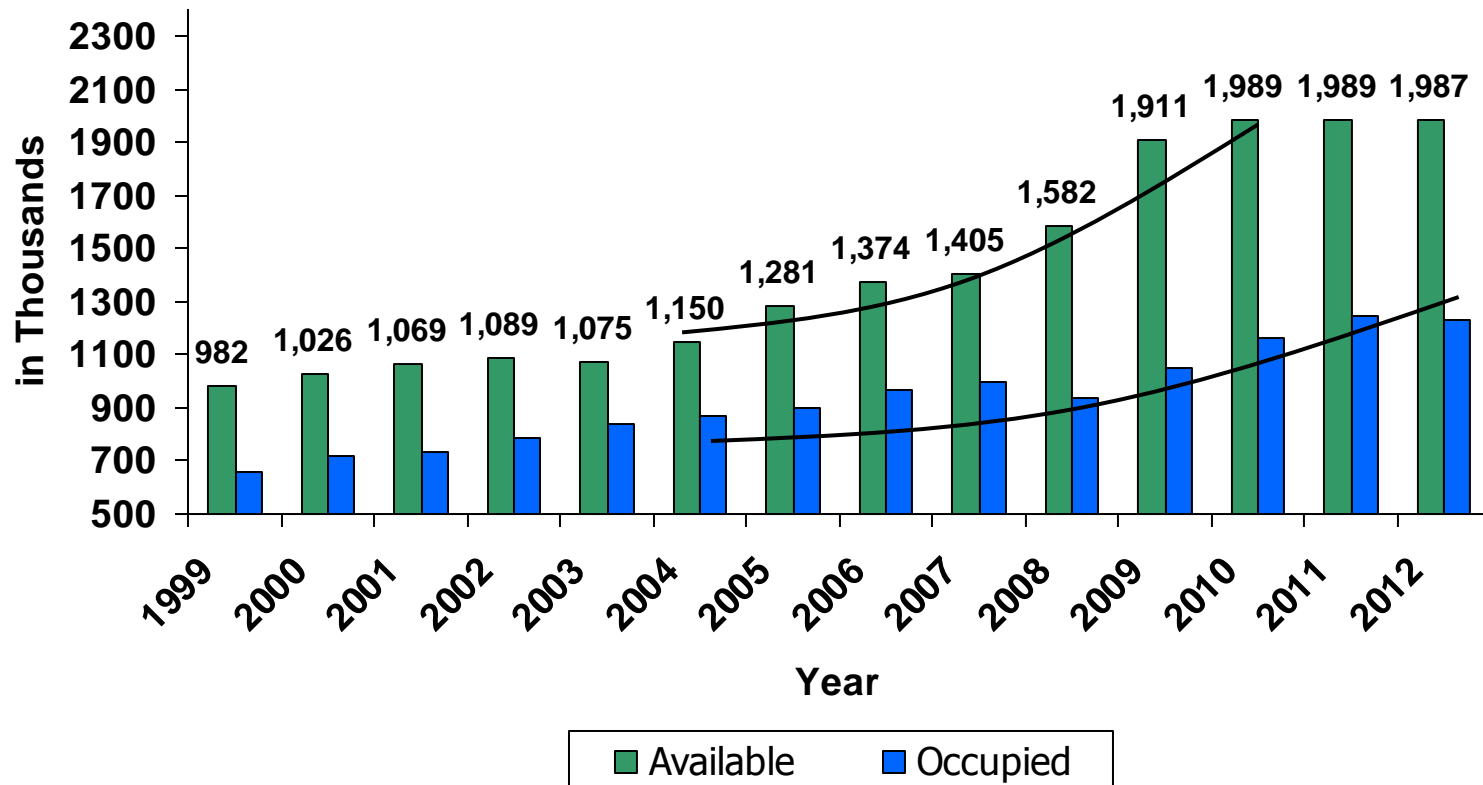
Estimated Market Shares of Hotel Industry as measured by Hotel Revenue

Hampton Roads: 1999 and 2012



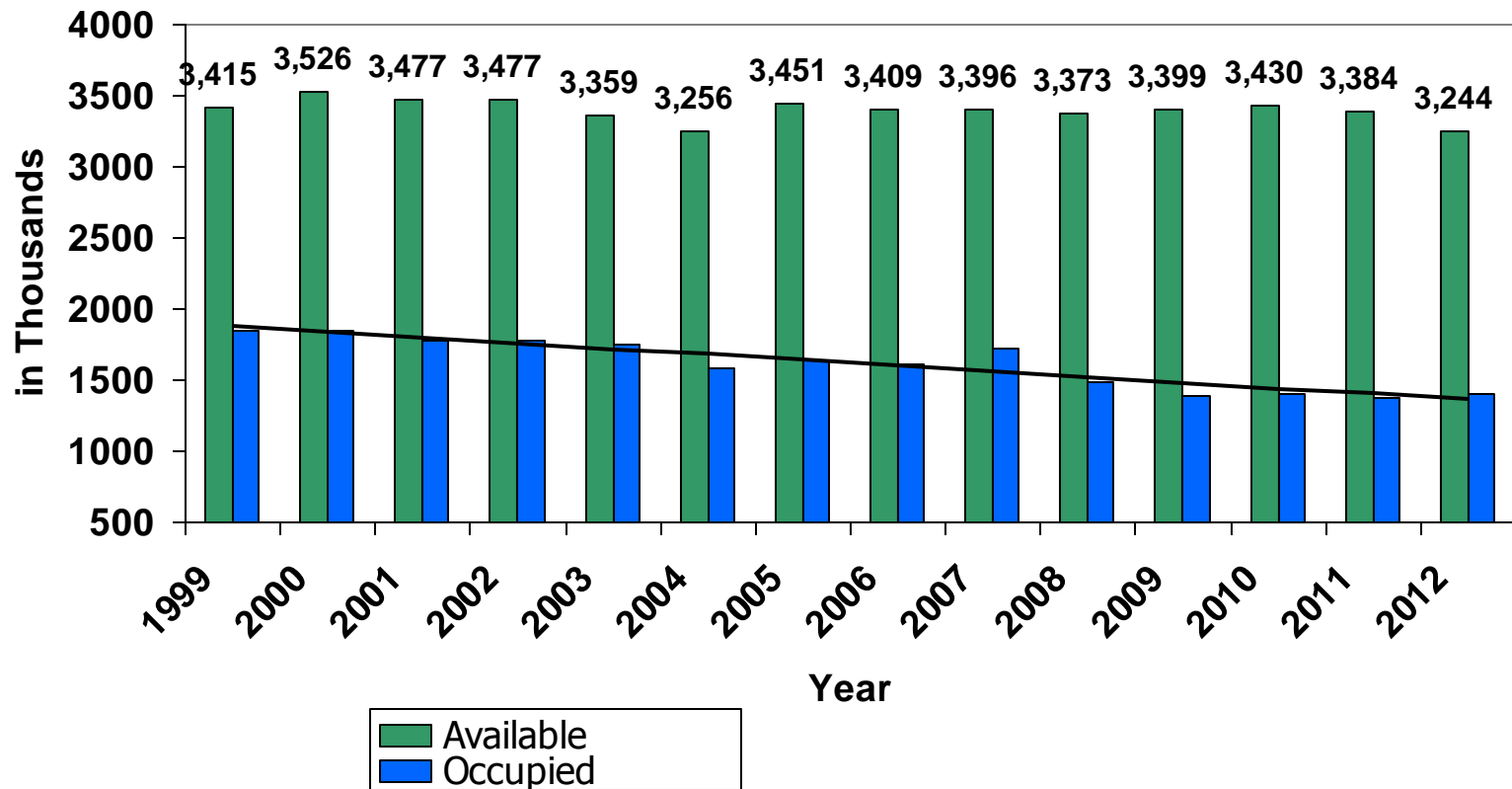
Hotel Room Nights in Chesapeake Suffolk Market

1999 to 2012



Hotel Room Nights in Williamsburg Market

1999-2012



Old Dominion University 2012 Hampton Roads Scorecard

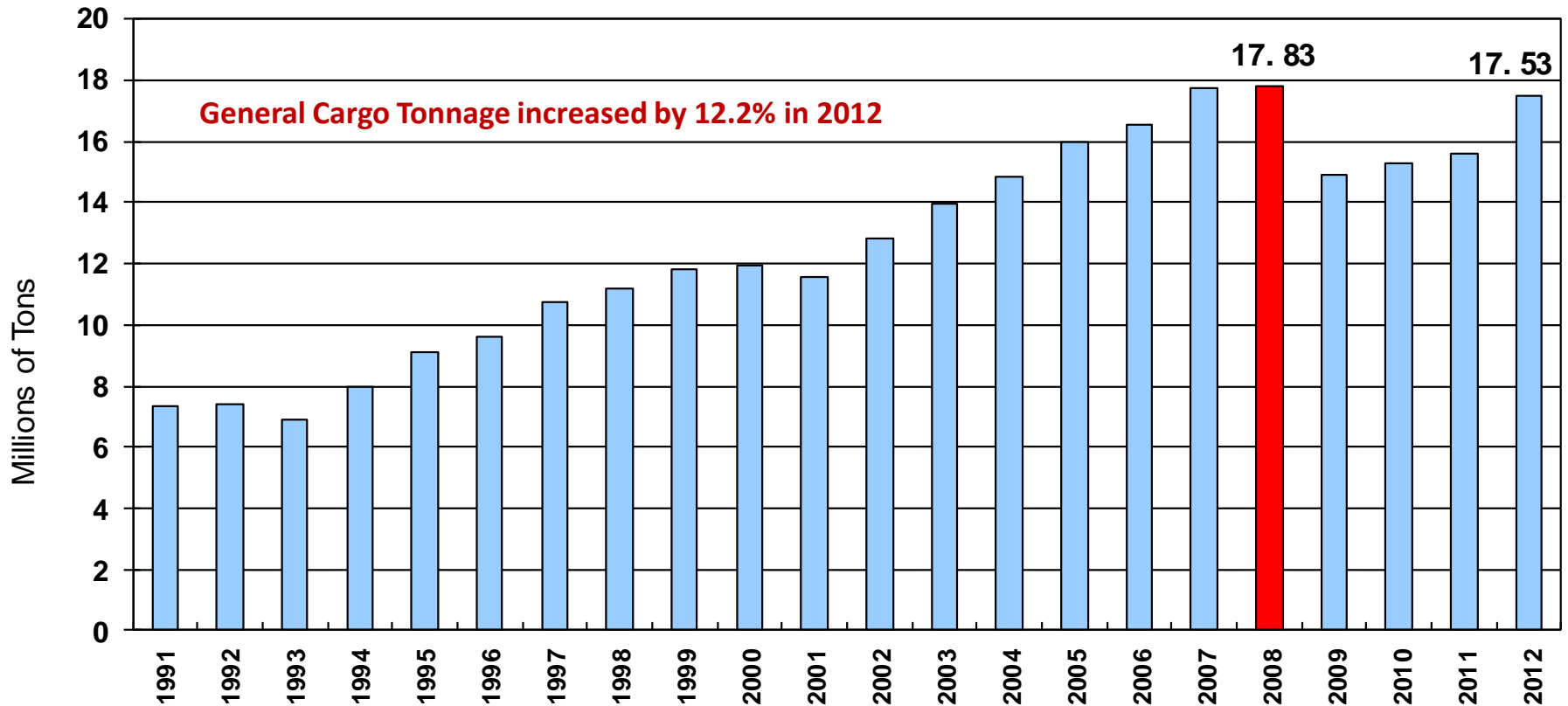
	Actual Change 2012*	Predicted Change 2012
Cargo Tonnage	+12.2%	+2.9%

Possible explanations for increase in Cargo

- Norfolk Southern's rail service to Greensboro and expanded volumes on the Heartland corridor.
- CSX's on-dock service to APM Terminals
- Larger Ships coming to the port
- Two new First-in and two Last-out Services
- Growth of new business from economic development efforts.

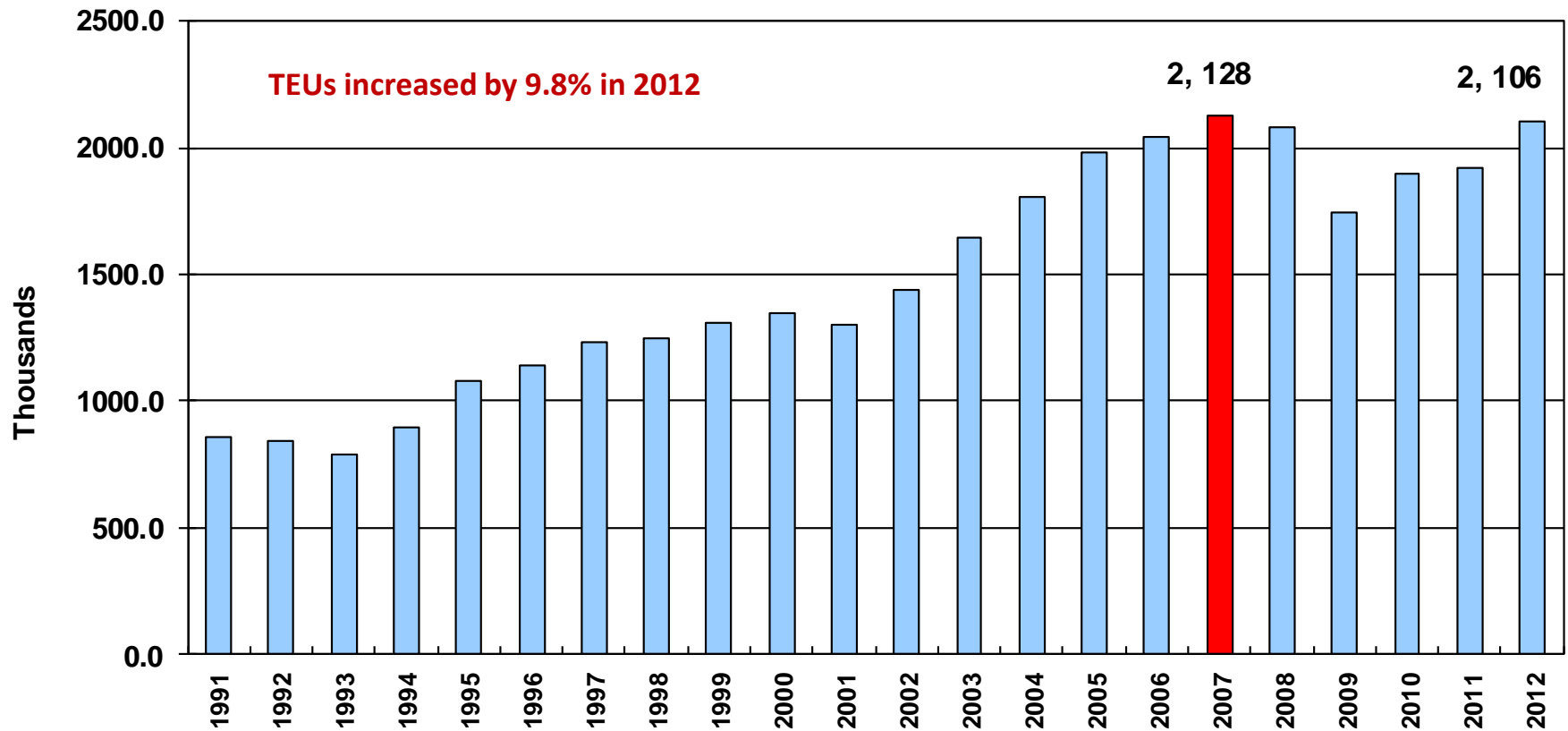
General Cargo Tonnage at the Port of Hampton Roads

1991 to 2012



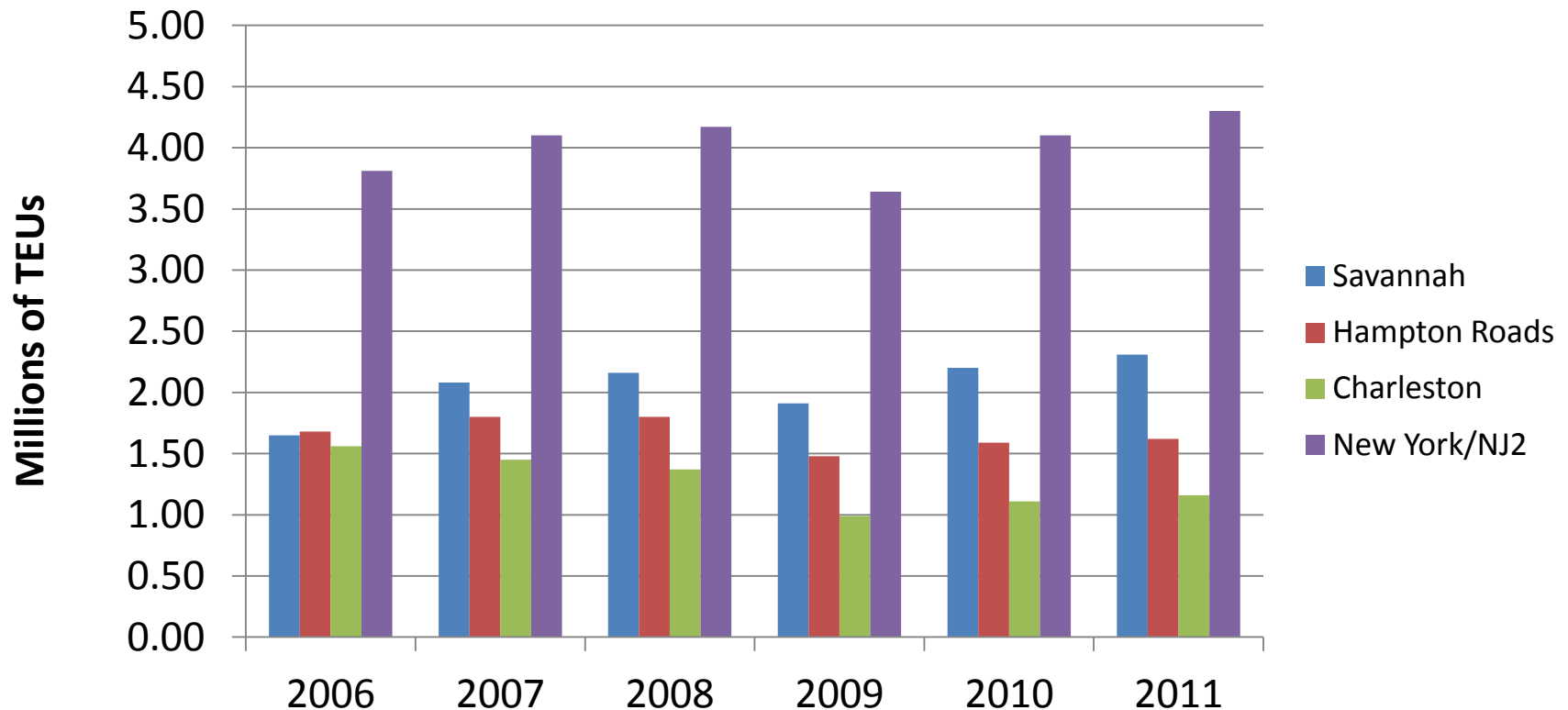
Twenty-Foot Equivalent Container units at the Port of Hampton Roads

1991 to 2012



Total Loaded TEU Containers for Selected Ports on the East Coast

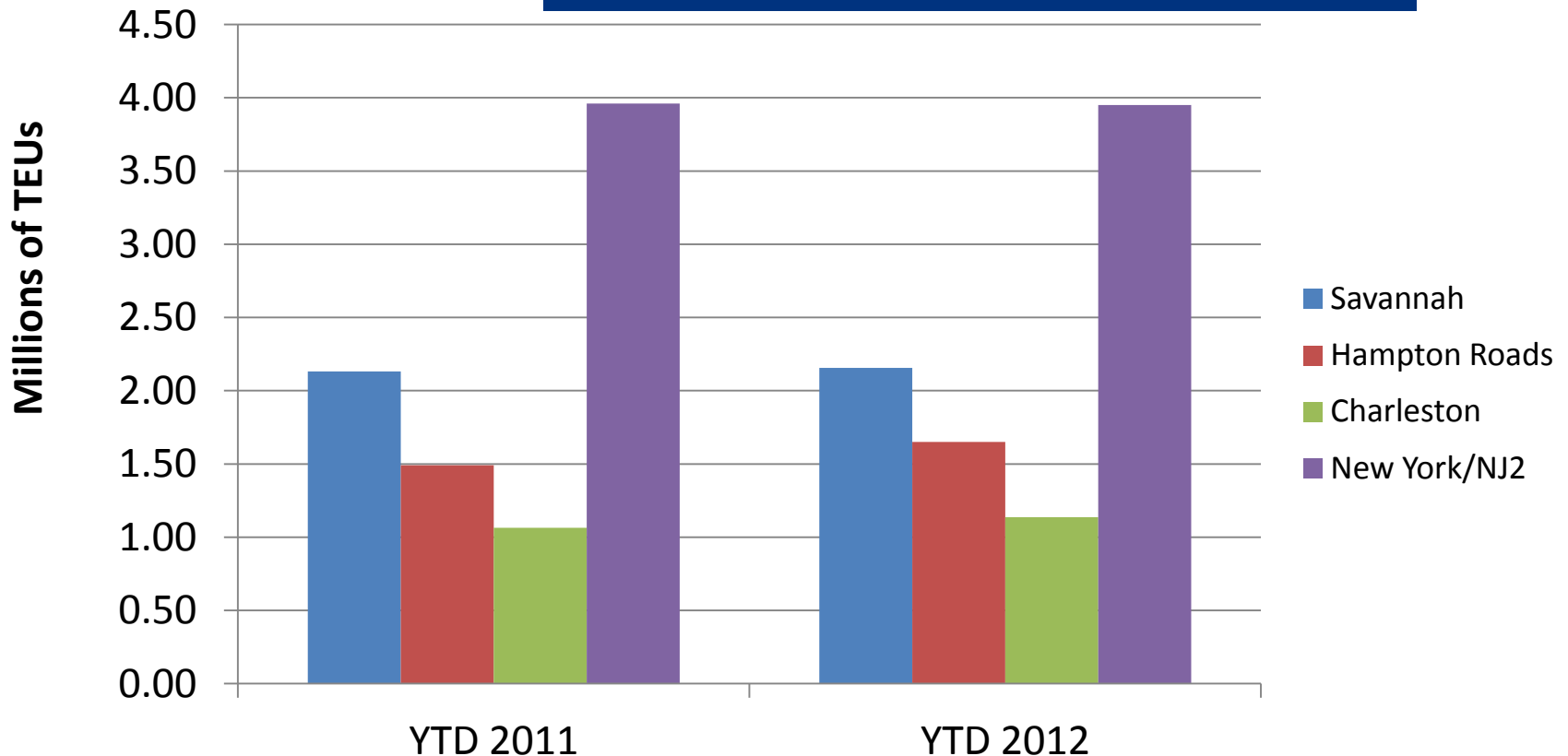
2006 to 2011



Total Loaded TEU Containers for Selected Ports on the East Coast

Through November

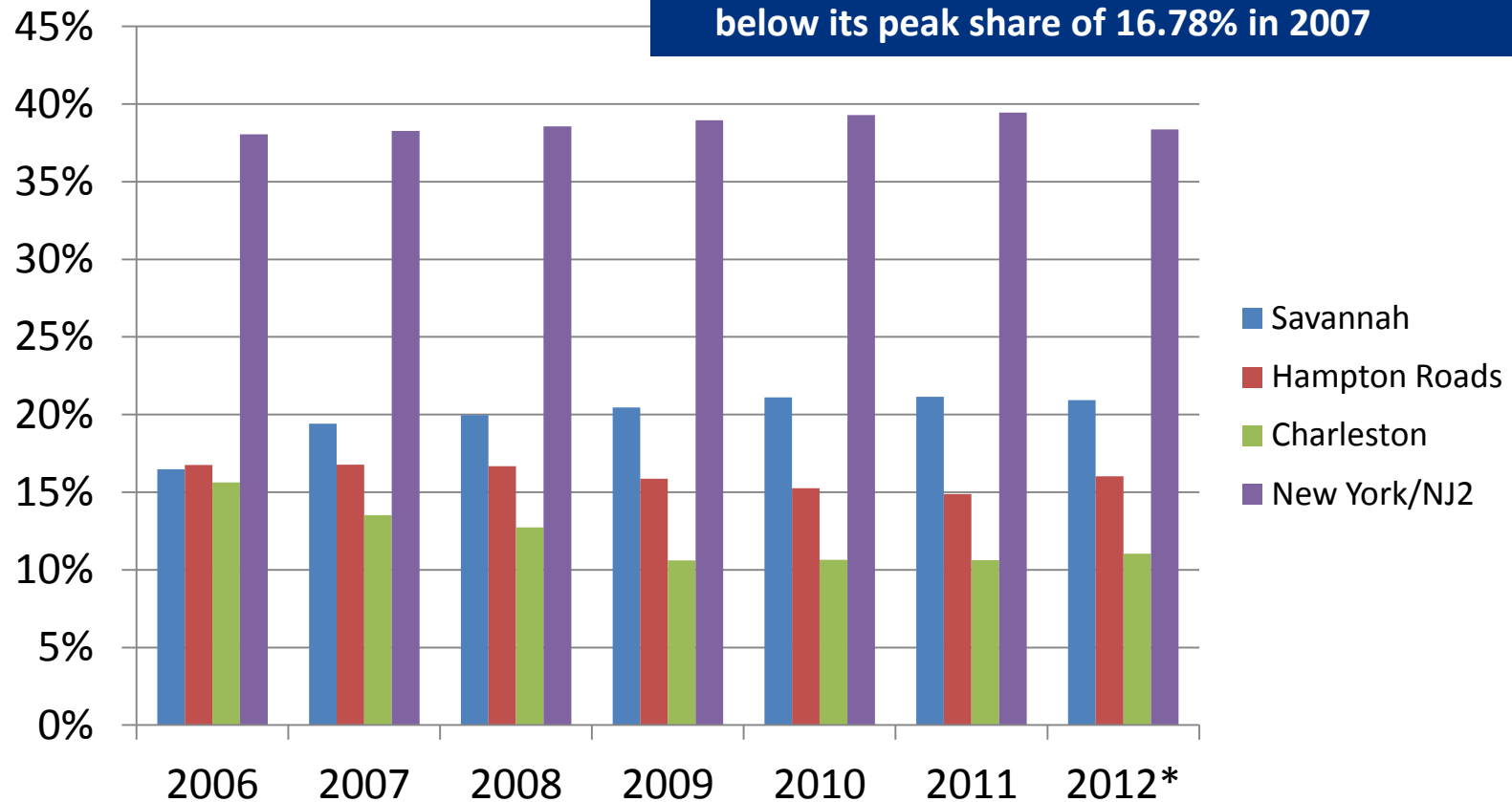
TEUs through November 2012 increased by 10.6% in Hampton Roads; Charleston by 6.8%; Savannah by 1.2% ; and New York by -0.3%



Shares of Total Loaded TEU Containers for Selected Ports on the East Coast

2006 to 2012*

Market Share of Hampton Roads increased from 14.88% in 2011 to 16.03% in 2012; but it is still below its peak share of 16.78% in 2007



VPA/VIT Historical Operating Income Statement

2007 to 2012 (In \$ Millions)

	2007	2008	2009	2010	2011	2012
Revenue	\$ 249.2	\$ 260.2	\$ 208.6	\$ 209.3	\$ 287.7	\$ 310.6
Expenditures						
Operation and Maintenance	\$ 161.9	\$ 173.7	\$ 144.9	\$ 135.2	\$ 176.7	\$ 183.7
Sales, General & Admin.	\$ 38.4	\$ 41.3	\$ 40.2	\$ 44.0	\$ 47.9	\$ 51.9
Depreciation	\$ 38.1	\$ 40.6	\$ 44.0	\$ 48.6	\$ 50.6	\$ 49.2
Facility Rental-- APM	\$ -	\$ -	\$ -	\$ -	\$ 32.5	\$ 37.1
Total Operating Expenditures	\$ 238.4	\$ 255.6	\$ 229.1	\$ 227.8	\$ 307.7	\$ 321.9
Operating Income	\$ 10.8	\$ 4.6	\$ (20.5)	\$ (18.5)	\$ (20.0)	\$ (11.3)

VPA/VIT Historical Operating Cash Flow Statement

2007 to 2012 (In \$ Millions)

	2007	2008	2009	2010	2011	2012
Operating Income	\$ 10.8	\$ 4.6	\$ (20.5)	\$ (18.5)	\$ (20.0)	\$ (11.3)
Depreciation*	\$ 38.1	\$ 40.6	\$ 44.0	\$ 48.6	\$ 50.6	\$ 49.2
Cash Flow from Operations	\$ 48.9	\$ 45.2	\$ 23.5	\$ 30.1	\$ 30.6	\$ 37.9
Debt Service	\$ (50.0)	\$ (48.4)	\$ (44.8)	\$ (43.0)	\$ (46.2)	\$ (49.9)
Cash Flow after Debt Service	\$ (1.1)	\$ (3.2)	\$ (21.3)	\$ (12.9)	\$ (15.6)	\$ (12.0)
Commonwealth Port Fund (CPF)-State Contribution	\$ 36.5	\$ 36.0	\$ 32.7	\$ 32.8	\$ 34.7	\$ 36.3
Adjusted Cash Flow	\$ 35.4	\$ 32.8	\$ 11.4	\$ 19.9	\$ 19.1	\$ 24.3

Source: Joint Legislative Audit and Review Commission Report dated January 2013, p.51 and the Old Dominion University Economic Forecasting Project.

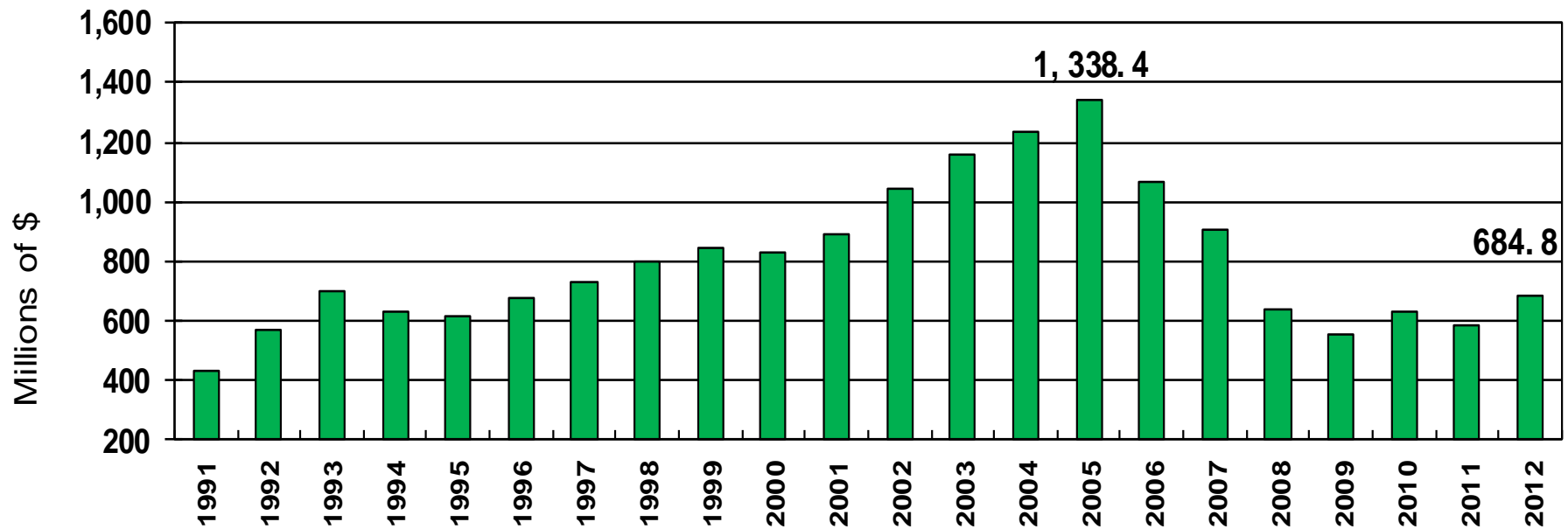
* To the best of our knowledge, the only non-cash entry in the income statement was depreciation.

Old Dominion University 2012 Hampton Roads Scorecard

	Actual Change 2012*	Predicted Change 2012
Single Family Housing Building Permit Value	+17.1%	-11.5%

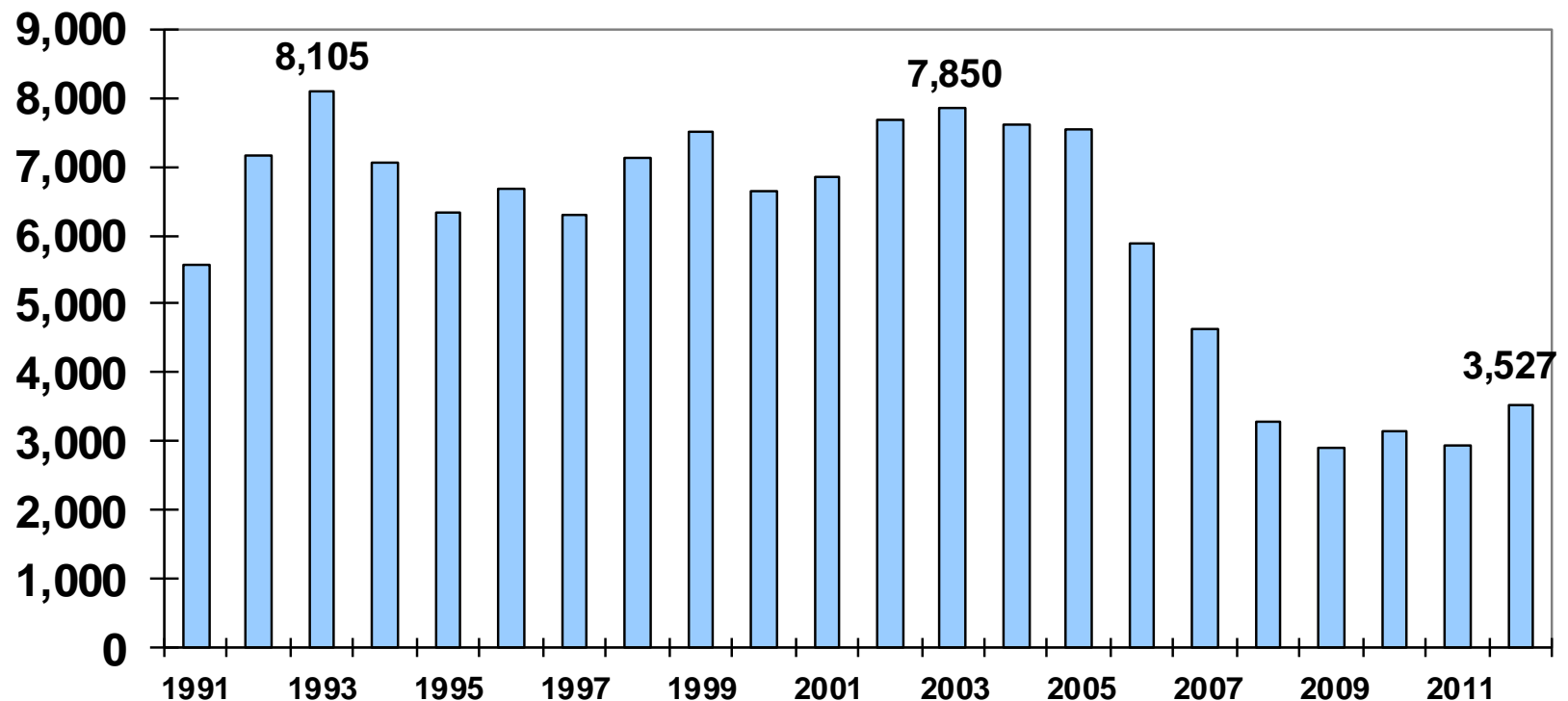
Value of Building Permits for One Unit Family Homes

Hampton Roads: 1991 to 2012



Number of Building Permits for One Unit Family Homes

Hampton Roads: 1991 to 2012

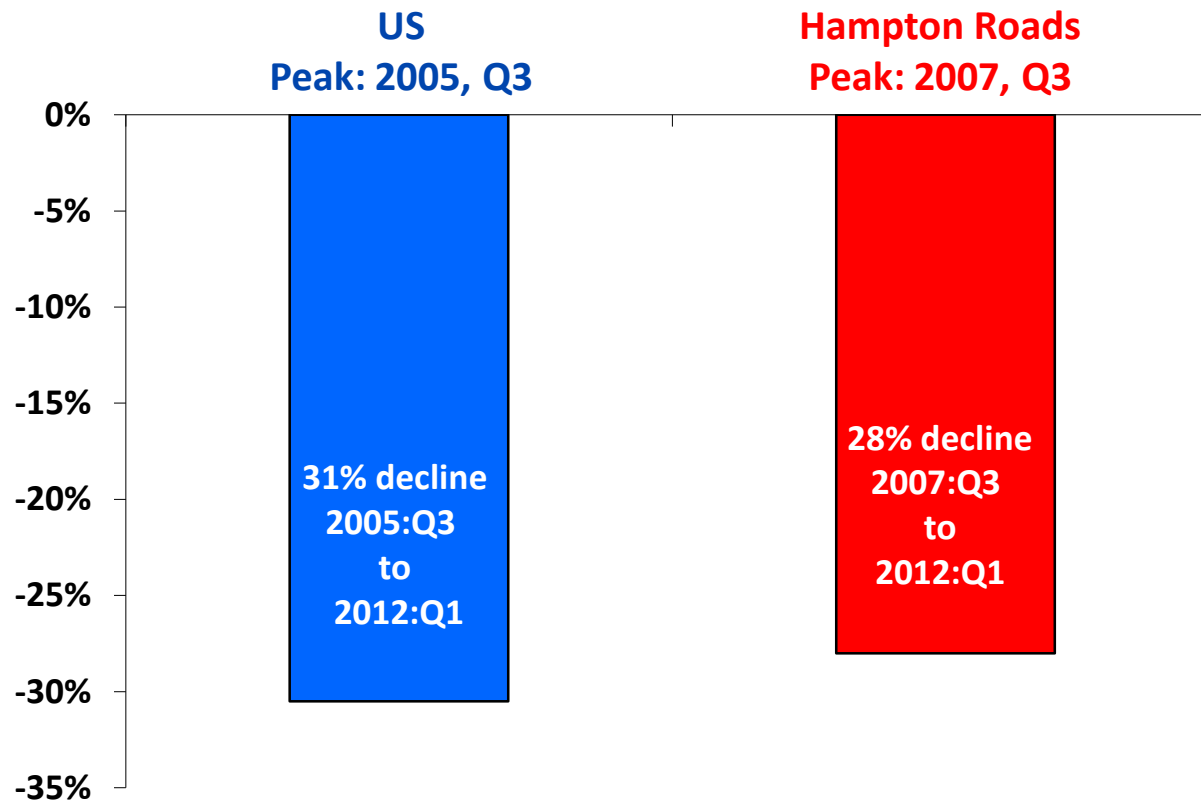


Local Housing Market and Primary Data Used

- Primary data source is the Real Estate Information Network Inc. (REIN)
 - REIN is an independent Multiple Listing Service (MLS) owned by broker and stockholder members in Hampton Roads. Hence, it does not include all residential housing activity, but includes most.
- The term “residential housing” includes both detached and attached homes, including condominiums.
- Existing homes account for roughly 85 percent of all homes sold since 2004

Cumulative Decline in Median Single Family House Prices

Quarter Peak* to 1st Quarter 2012 for Existing Homes, excluding condominiums



Source: National Association of Realtors (NAR), REIN and Old Dominion University Economic Forecasting Project.

*U.S. House prices peaked in Q3 2005 (NAR); Hampton Roads in Q3 2007 (REIN).

Number of Existing and New Construction Homes Sold

Hampton Roads: 2000-2012

Year	Existing Homes Sold	New Construction Homes Sold	Percent New Construction
2000	17,058	4,095	19.4%
2001	18,924	4,836	20.4%
2002	19,869	4,969	20.0%
2003	21,421	4,757	18.2%
2004	23,548	4,587	16.3%
2005	24,755	4,379	15.0%
2006	22,405	4,327	16.2%
2007	19,154	3,912	17.0%
2008	15,046	3,178	17.4%
2009	15,851	2,673	14.4%
2010	14,703	2,265	13.4%
2011	15,818	2,366	13.0%
2012	16,856	2,664	13.6%

Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed. Figures reported here represent only those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region..

Number of New Construction Residential Homes Sold

Hampton Roads: 2000-2012

Year	Number Sold	Percent change year to year
2000	4,095	
2001	4,836	18.1%
2002	4,969	2.8%
2003	4,757	-4.3%
2004	4,587	-3.6%
2005	4,379	-4.5%
2006	4,327	-1.2%
2007	3,912	-9.6%
2008	3,178	-18.8%
2009	2,673	-15.9%
2010	2,265	-15.3%
2011	2,366	4.5%
2012	2,664	12.6%

**54% decrease
From 2002-10**

Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed. Figures reported here represent only those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region.

Median Sale Price of New Construction Residential Homes

Hampton Roads: 2000-2012

Year	Median Price	Percent change year to year
2000	\$159,710	
2001	\$170,900	7.0%
2002	\$186,415	9.1%
2003	\$220,490	18.3%
2004	\$260,000	17.9%
2005	\$333,280	28.2%
2006	\$349,900	5.0%
2007	\$335,348	-4.2%
2008	\$299,900	-10.6%
2009	\$283,615	-5.4%
2010	\$289,900	2.2%
2011	\$276,755	-4.5%
2012	\$273,950	-1.0%

**22% decrease
From 2006-12**

Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed. Figures reported here represent only those properties that are listed through REIN by REIN members and may not represent all new construction activity in our region.

Number of Existing Residential Homes Sold

Hampton Roads: 2000-2012

Year	Number Sold	Percent change year to year
2000	17,058	
2001	18,924	10.9%
2002	19,869	5.0%
2003	21,421	7.8%
2004	23,548	9.9%
2005	24,755	5.1%
2006	22,405	39% decline from 2005-08 -9.5%
2007	19,154	-14.5%
2008	15,046	-21.5%
2009	15,851	5.4%
2010	14,703	-7.2%
2011	15,818	7.6%
2012	16,856	6.6%

Median Sale Price of Existing Residential Homes

Hampton Roads: 2000-2012

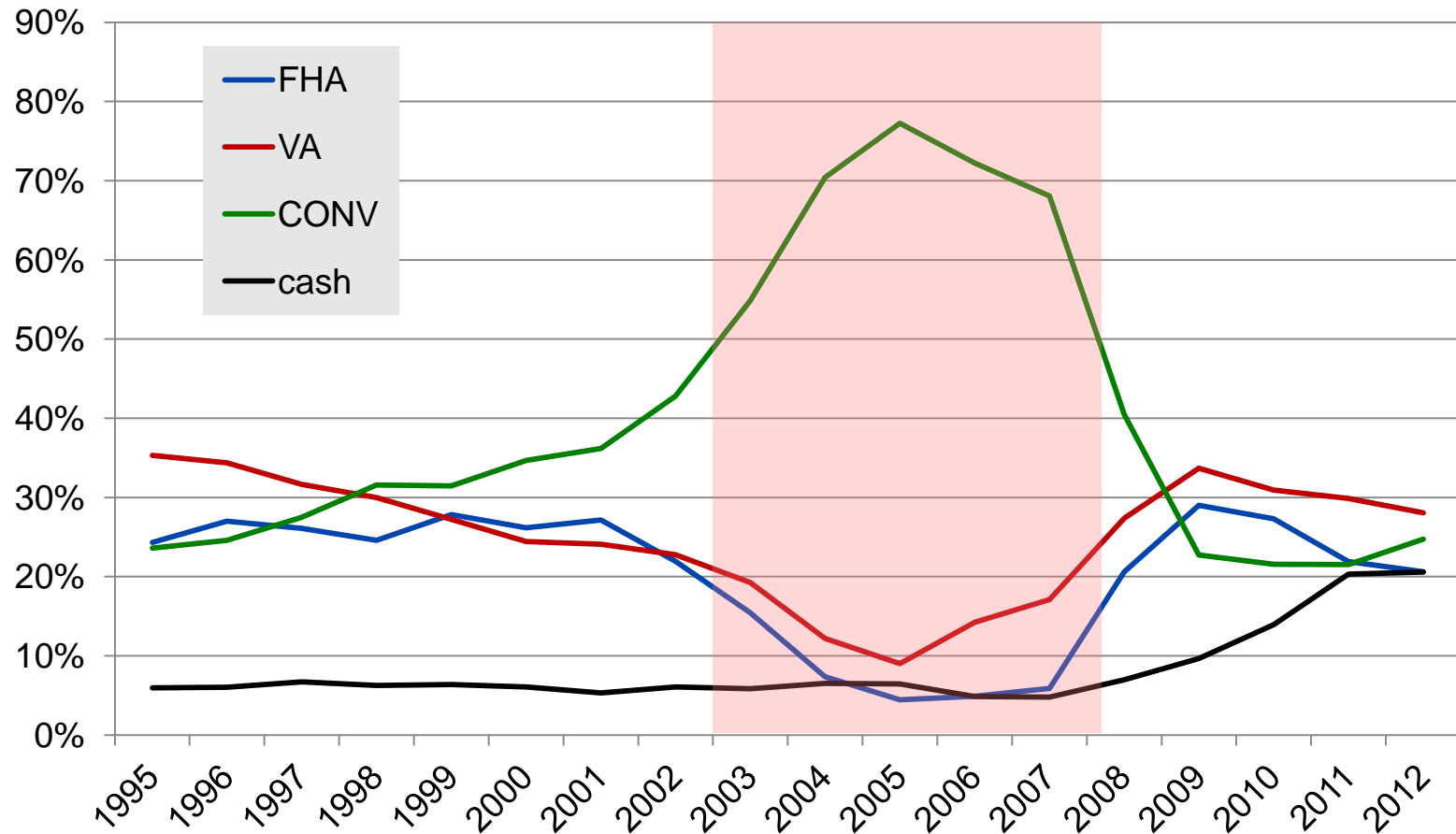
Year	Median Price	Percent change year to year
2000	\$99,900	
2001	\$109,000	9.1%
2002	\$116,900	7.3%
2003	\$130,000	11.2%
2004	\$156,500	20.4%
2005	\$192,000	22.7%
2006	\$214,900	11.9%
2007	\$223,000	3.8%
2008	\$219,000	-1.8%
2009	\$207,000	-5.5%
2010	\$203,900	-1.5%
2011	\$180,000	-11.7%
2012	\$185,000	+2.78%

**90% increase
from 2002-07**

**19% decrease
From 2007-11**

Distribution of Existing Home Sales by Type of Financing

Hampton Roads: 1995-2012



Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project.
Information Deemed Reliable But not Guaranteed.

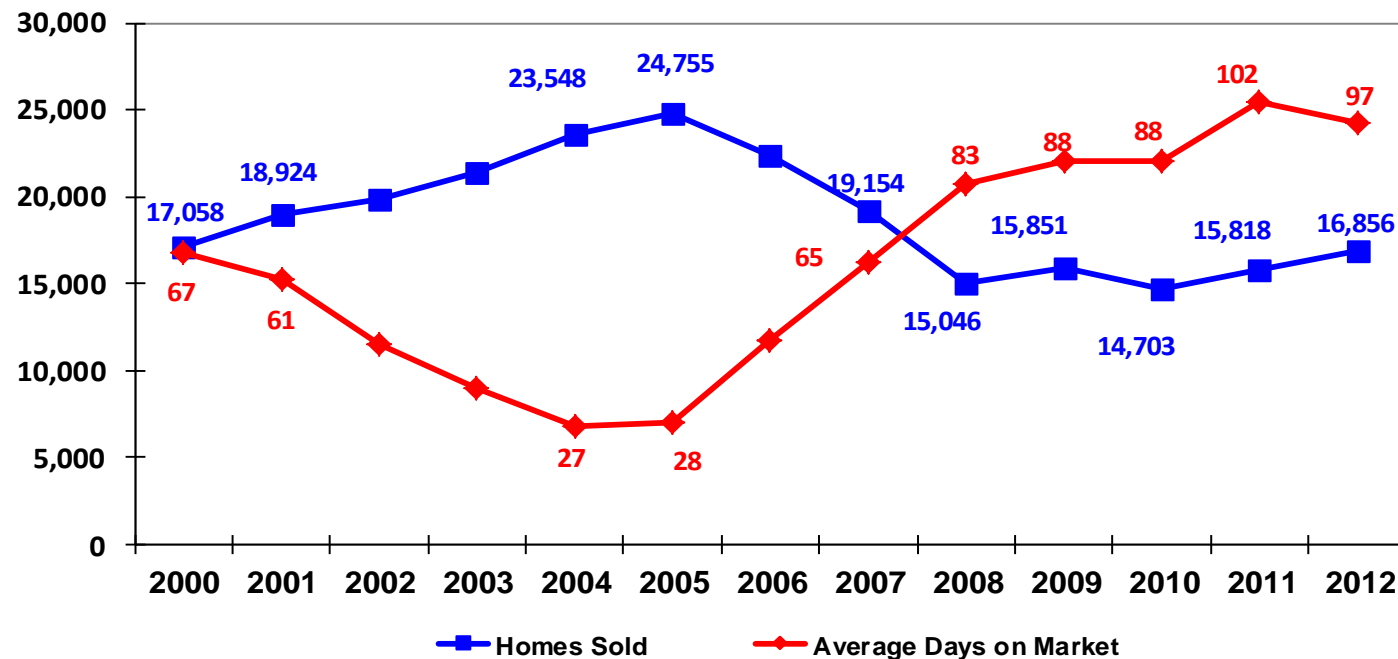
Monthly Median Sale Price of Existing Residential Homes Sold

Hampton Roads: 2011-2012

Month	Median Price 2011	Median Price 2012	% change
January	\$ 180,000	\$160,000	-11.1%
February	\$ 180,000	\$170,000	-5.6%
March	\$174,250	\$173,775	-0.3%
April	\$177,000	\$184,950	4.5%
May	\$184,650	\$190,004	2.9%
June	\$ 185,000	\$195,000	5.4%
July	\$186,450	\$195,000	4.6%
August	\$195,000	\$195,000	0.0%
September	\$186,500	\$195,000	4.6%
October	\$175,427	\$185,000	5.5%
November	\$175,000	\$185,500	6.0%
December	\$180,000	\$185,000	1.4%

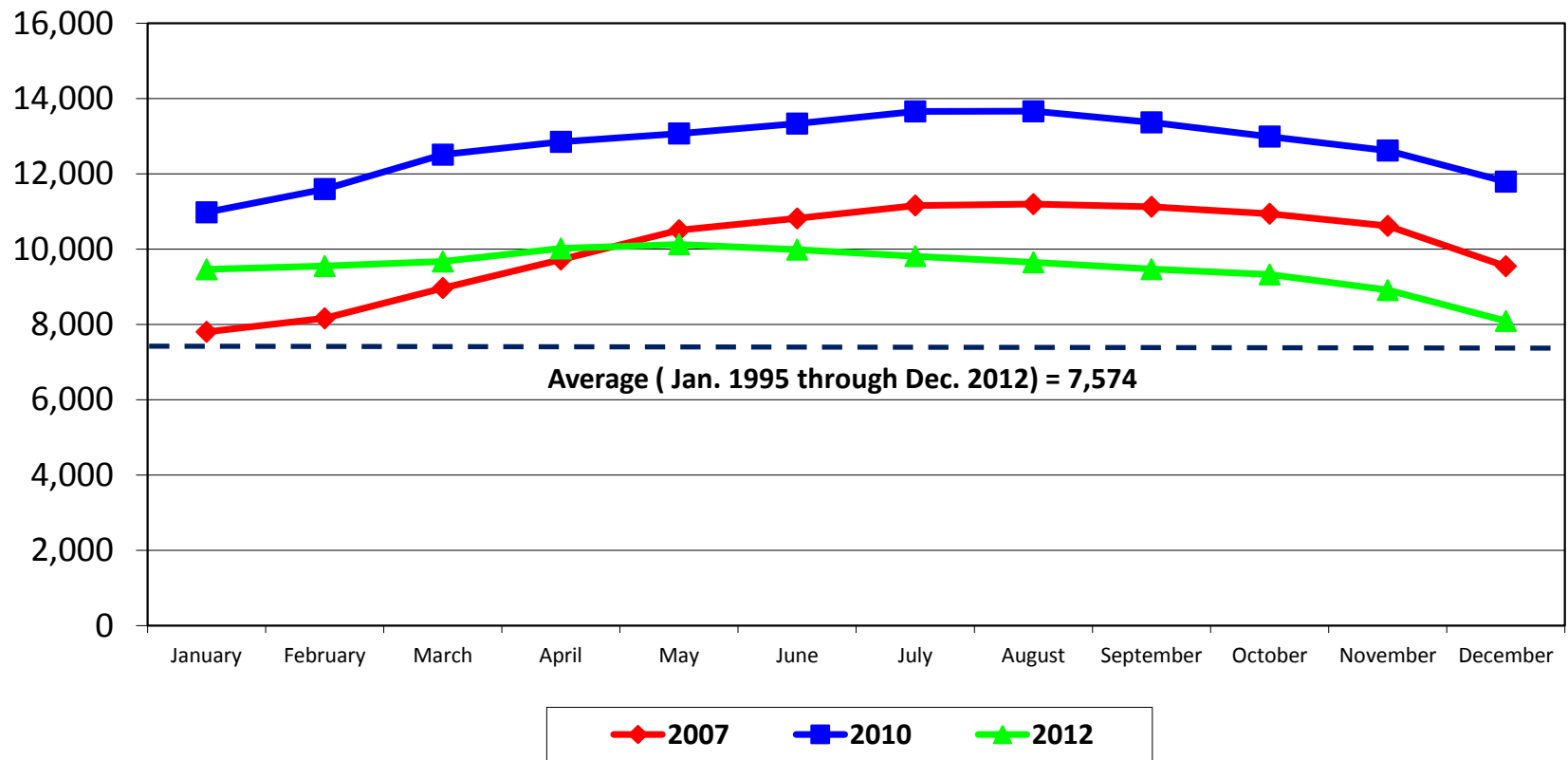
Existing Residential Homes Sold and Average Days on the Market

Hampton Roads: 2000-2012



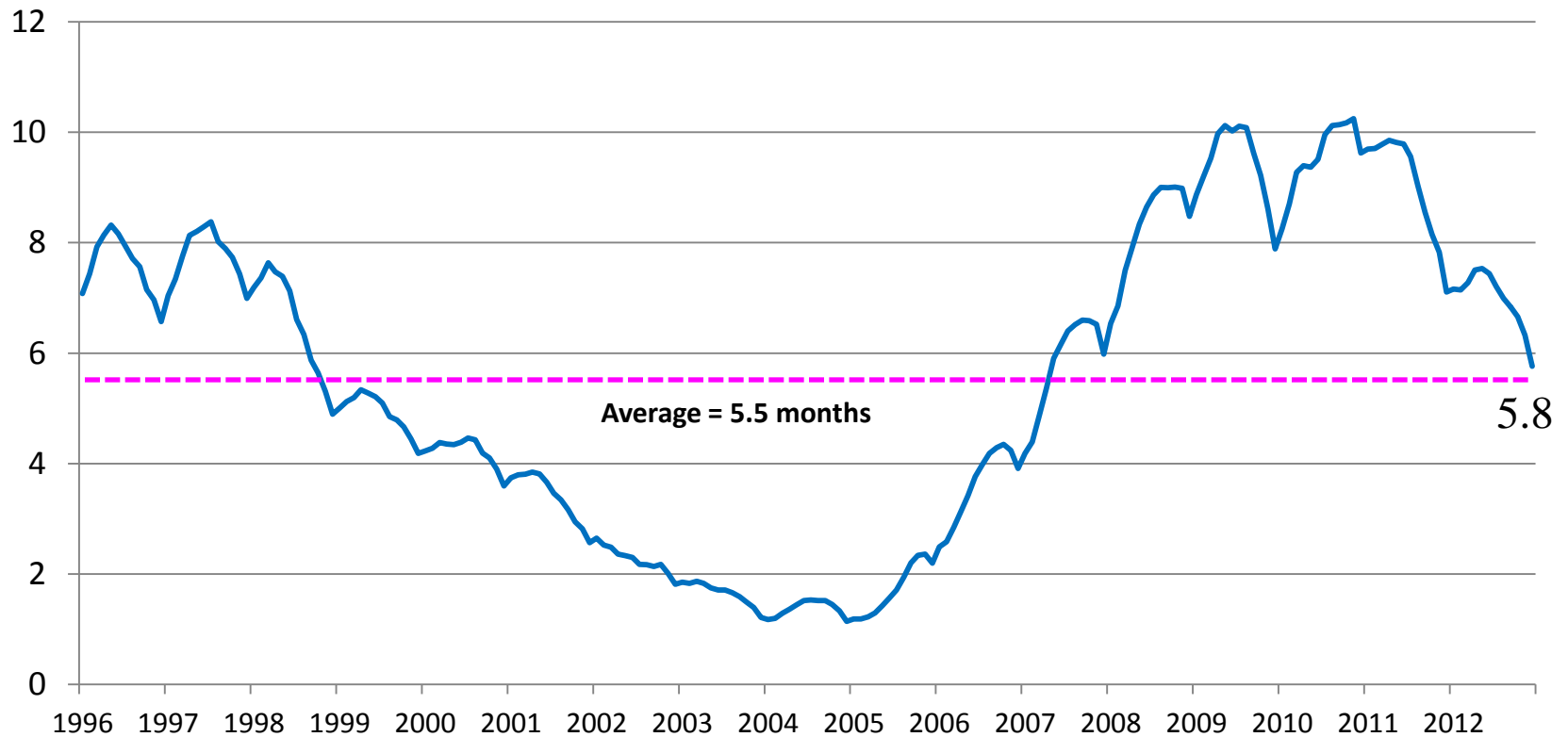
Estimated Inventory of Existing Residential Homes as Measured by Active Listings

Hampton Roads: 2007, 2010, and 2012



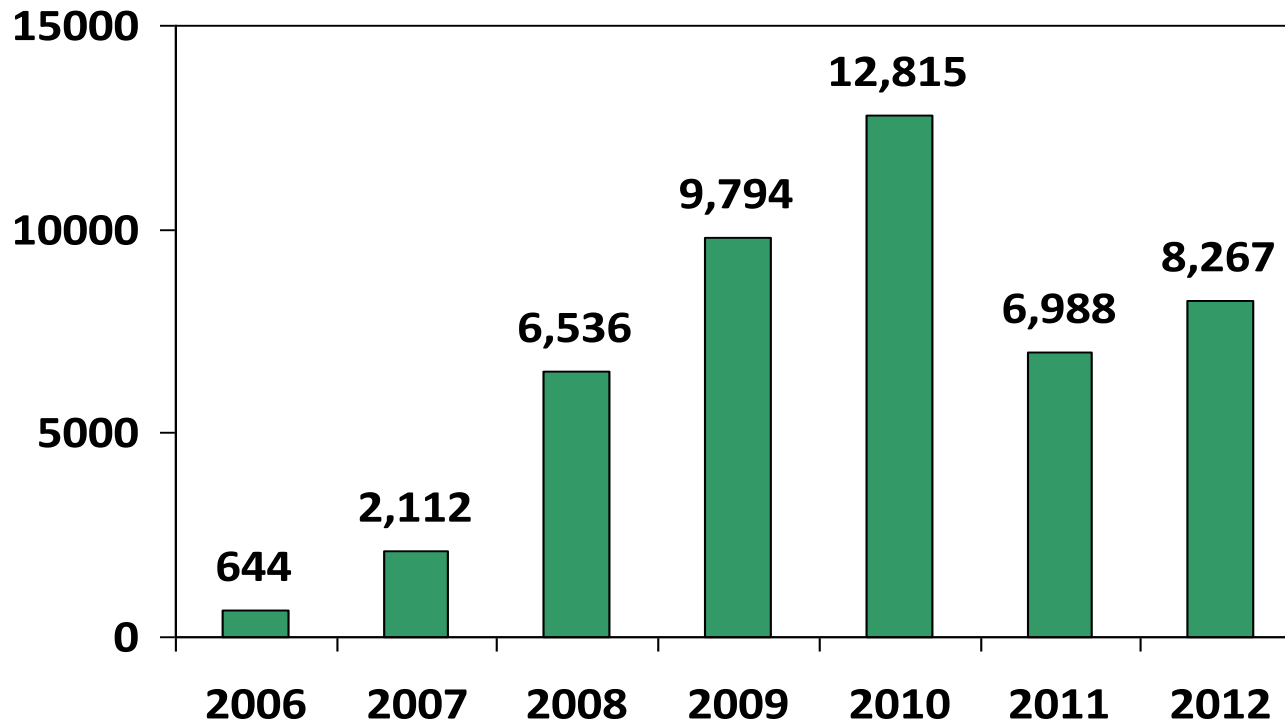
Estimated Months of Supply of All Existing Homes in Hampton Roads

Based on Average Sales in the Last 12 Months: 1996-2012



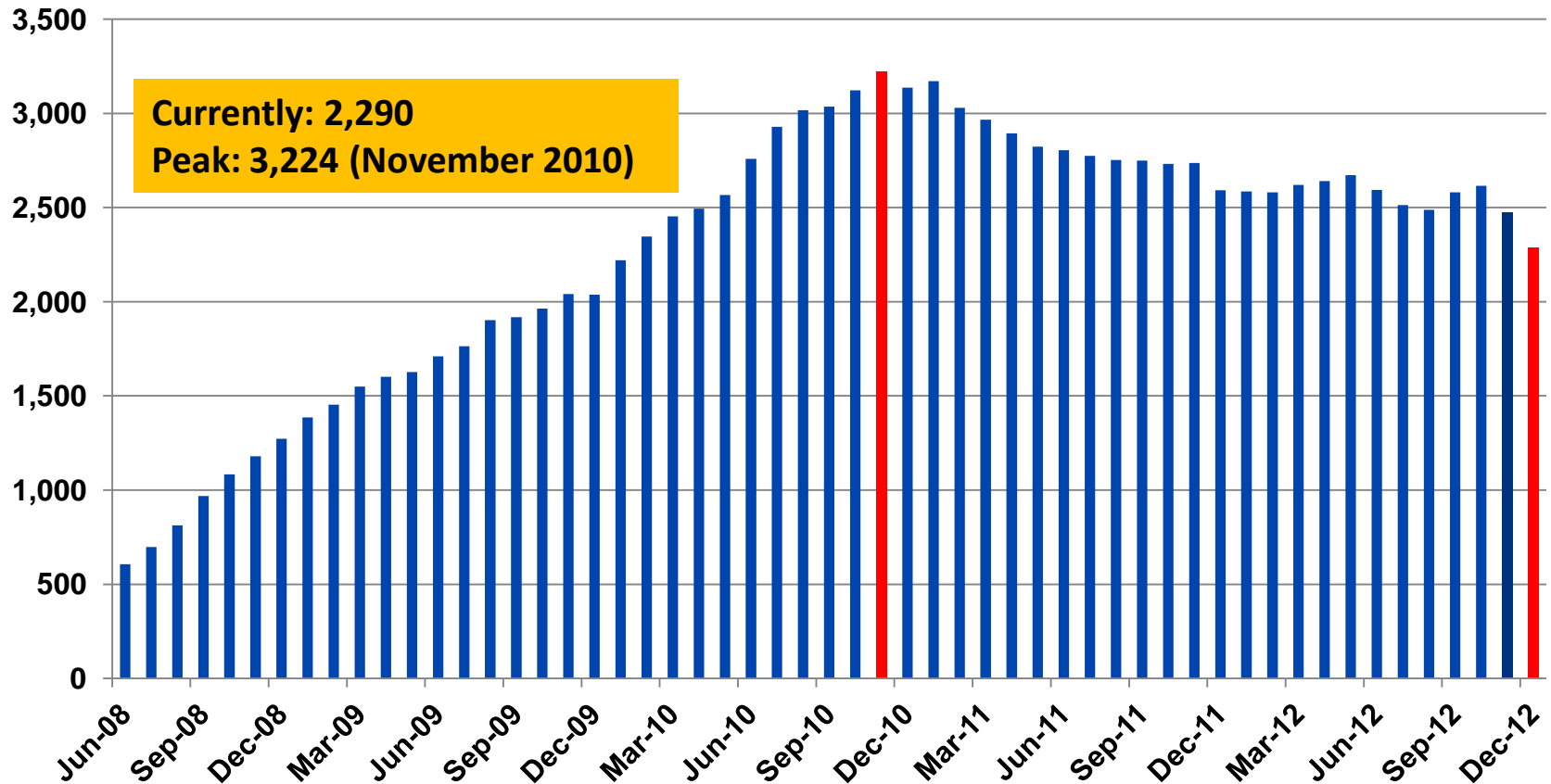
Hampton Roads Residential Foreclosure Fillings

2006 to 2012



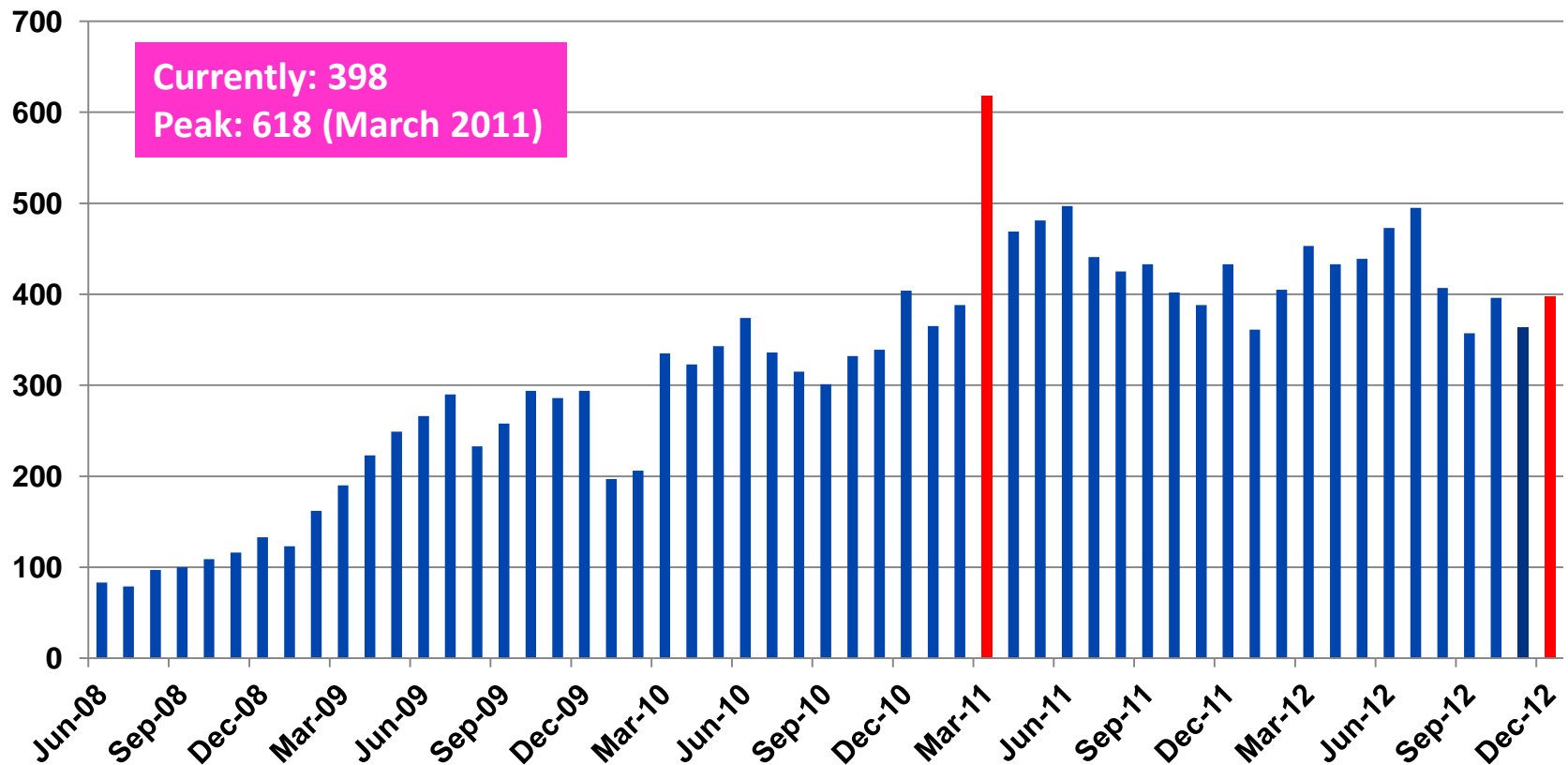
Active Listing of Distressed Homes (REO & Short Sales)

Hampton Roads: June 2008 to December 2012



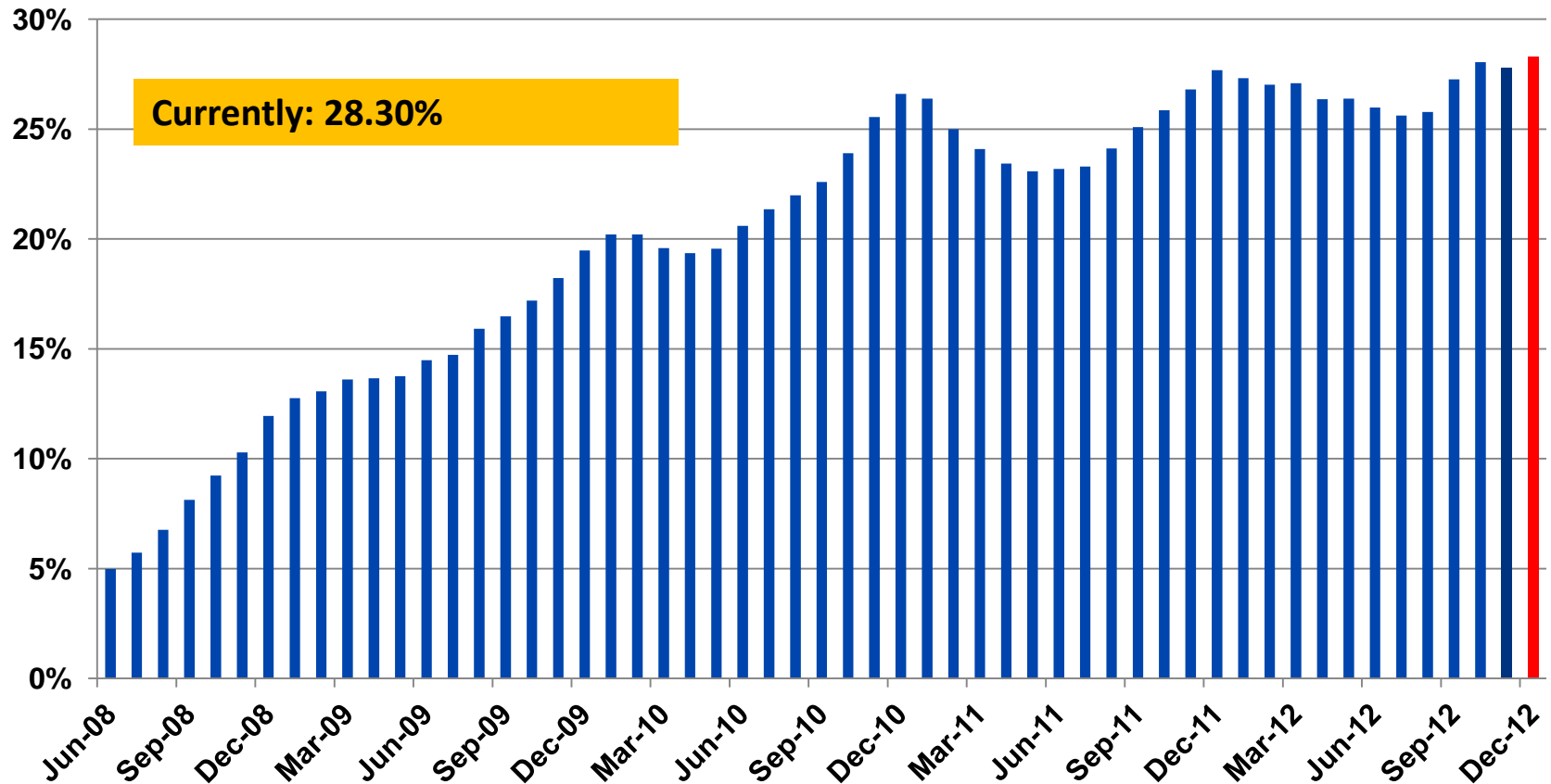
Sales of Distressed Homes (REO & Short Sales)

Hampton Roads: June 2008 to December 2012



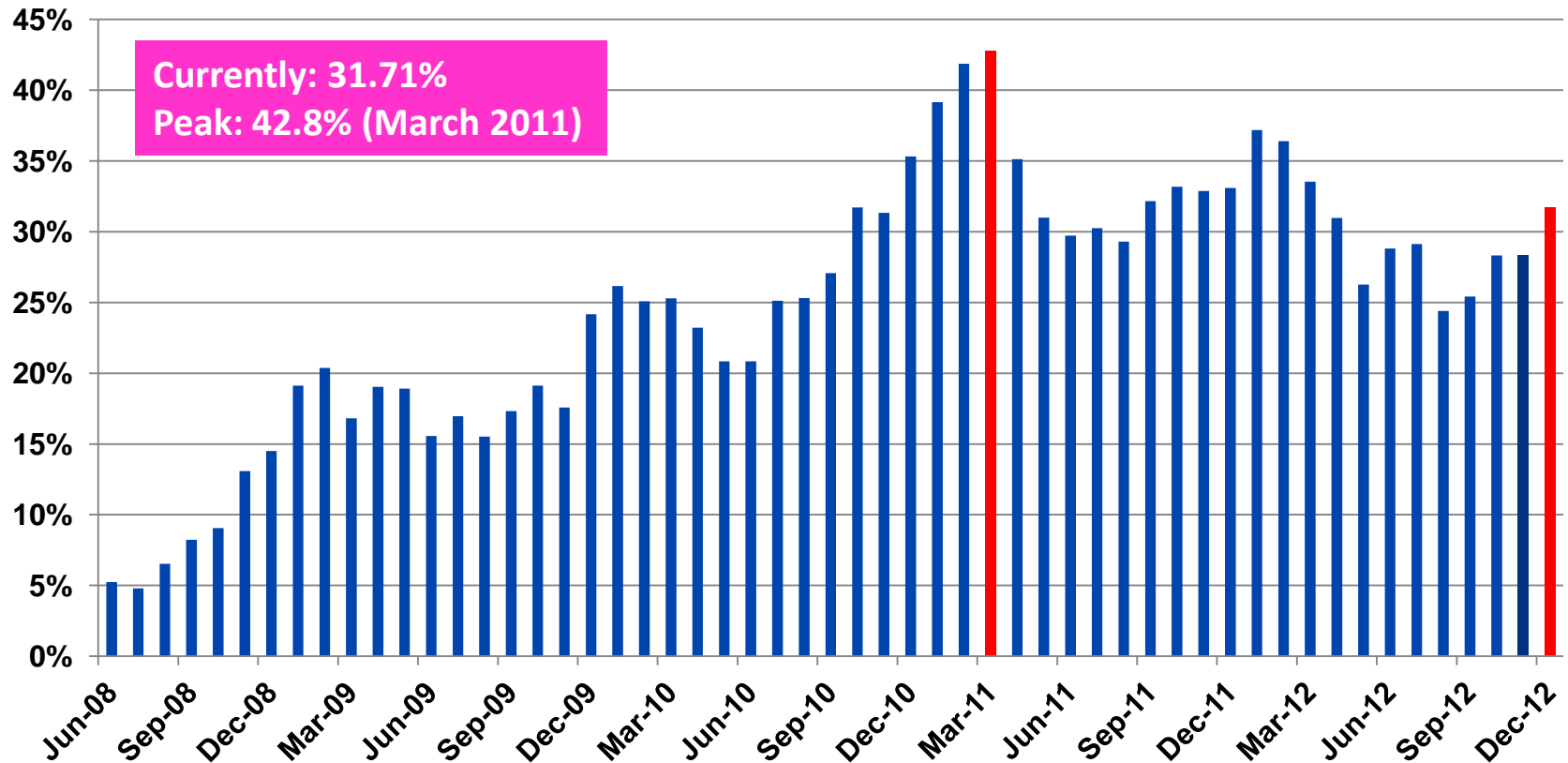
Active Listing of Distressed Homes (REO & Short Sales)

As a Percentage of Total Existing Residential Homes Listings in Hampton Roads



Sales of Distressed Homes (REO & Short Sales)

As a Percentage of Total Existing Residential Homes Sold in Hampton Roads



Number of Existing Short Sale and REOs Residential Homes Sold

Hampton Roads: 2006-2012

Year	All Sales	Short Sales	Percent Short Sales	REO Sales	Percent REO Sales
2006	22,405	3	<1%	56	<1%
2007	19,152	40	<1%	223	1.2
2008	15,047	217	1.4	833	5.5
2009	15,849	598	3.8	2,271	14.3
2010	14,696	784	5.3	3,021	20.6
2011	15,817	1,127	7.1	4,213	26.6
2012	16,856	1,644	9.8	3,337	19.8

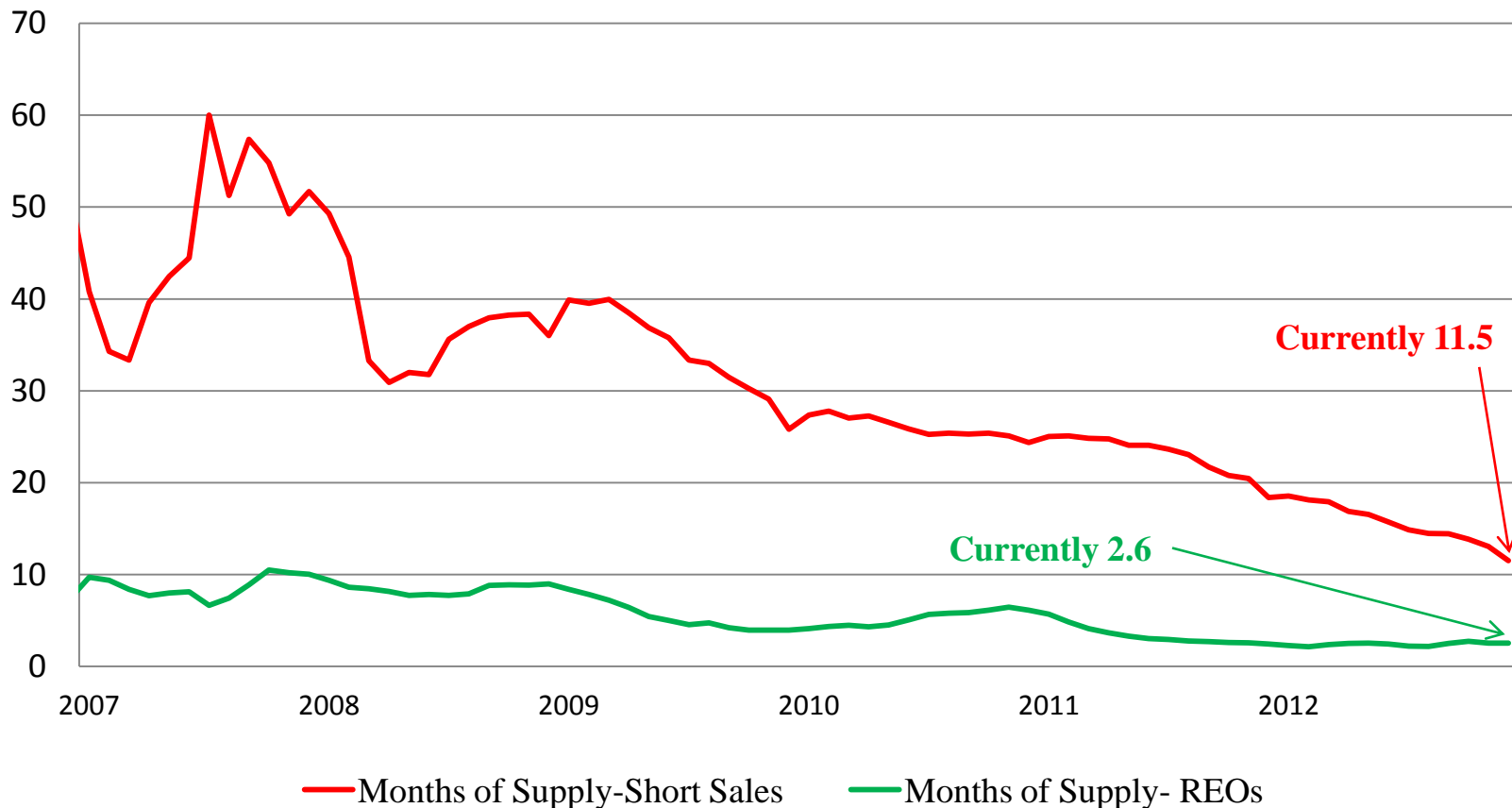
Average Price of Existing Short Sale, REOs, and Non-Distressed Residential Homes Sold

Hampton Roads: 2006-2012

Year	Non-Distressed Sales	Short Sales	Short Sale Price % Non-Distressed Price	REO Sales	REO Price % Non-Distressed Sales
2006	\$250,254	\$241,666	96.6	\$120,817	48.3
2007	\$261,723	\$237,897	90.9	\$163,421	62.4
2008	\$255,852	\$239,110	93.5	\$184,462	72.1
2009	\$243,902	\$239,913	98.4	\$164,229	67.3
2010	\$251,572	\$231,211	91.9	\$151,612	60.3
2011	\$236,358	\$212,967	90.1	\$135,304	57.3
2012	\$237,215	\$187,527	79.1	\$134,535	56.7

Estimated Months of Supply of Short Sales & REOs Existing Homes

Based on Average Sales in the Last 12 Months in Hampton Roads: 2007-2012



Median Sale Price of Existing Residential Homes

Selected Cities in Hampton Roads: 2011 and 2012

City	Median Price 2011	Median Price 2012	% change
Newport News	\$153,200	\$145,800	-4.8%
Suffolk	\$208,800	\$199,000	-4.7%
Portsmouth	\$110,900	\$107,000	-3.5%
Hampton	\$135,750	\$135,000	-0.6%
Williamsburg*	\$250,000	\$250,000	0.0%
Virginia Beach	\$215,000	\$219,000	1.9%
Norfolk	\$ 140,000	\$145,000	3.6%
Chesapeake	\$ 210,000	\$217,900	3.8%
Hampton Roads	\$180,000	\$185,000	2.8%

Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed.

* Williamsburg represents Williamsburg, James City County, York County and Gloucester County.

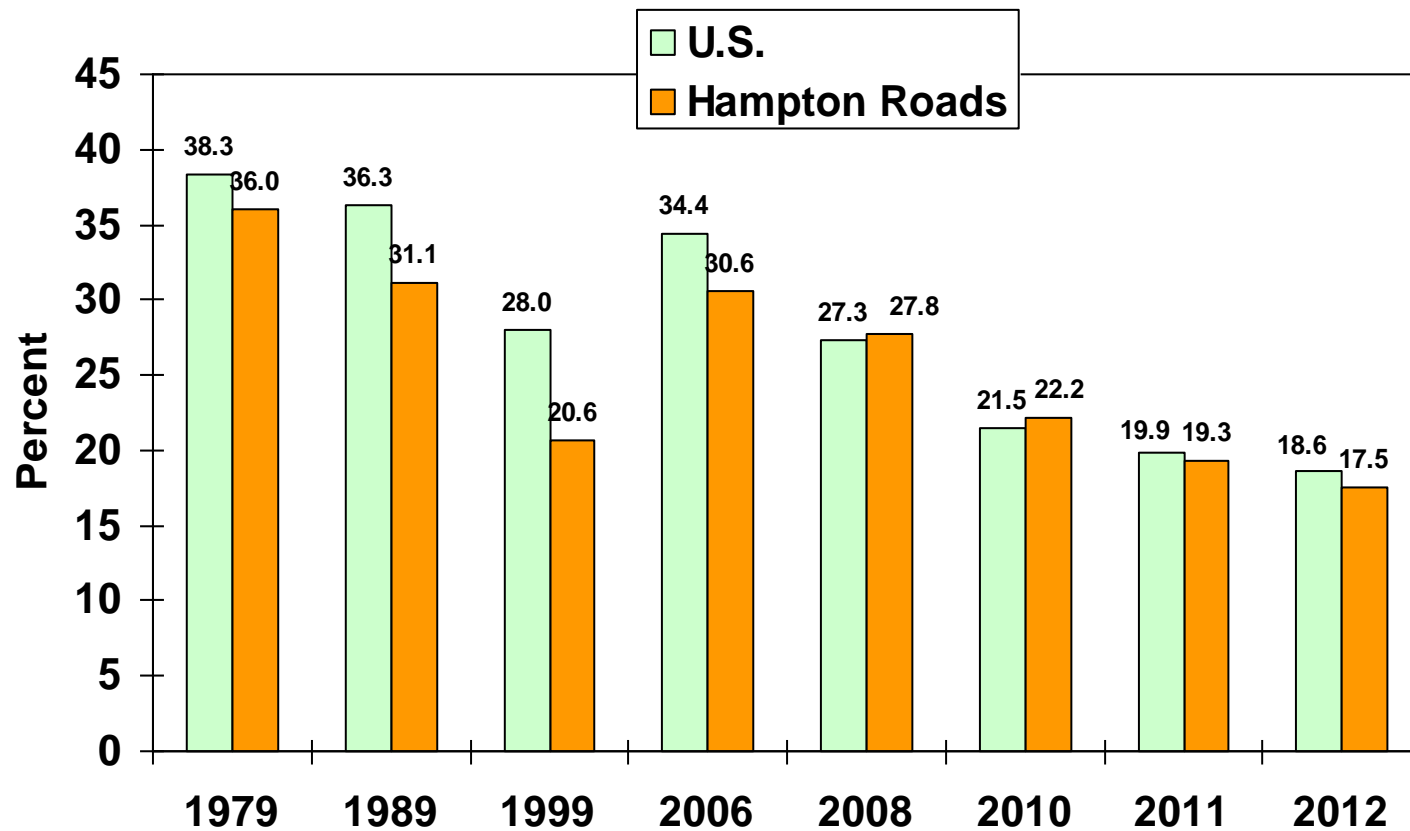
Estimated House Rental and Principal and Interest for a House Payment

Hampton Roads: 2001-2012

Year	Median Monthly Rent for a Three Bedroom House	P&I Monthly for a Median Priced Existing House	Ratio of Monthly Rent to P&I
2001	\$ 882	743	1.19
2002	911	761	1.20
2003	1,037	780	1.33
2004	1,044	940	1.11
2005	1,087	1,152	0.94
2006	1,118	1,353	0.83
2007	1,164	1,409	0.83
2008	1,247	1,323	0.94
2009	1,336	1,132	1.18
2010	1,382	1,062	1.30
2011	1,427	922	1.55
2012	1,454	859	1.69

Housing Affordability: Monthly Payment for a Median Price Resale House as a Percent of Median Household Monthly Income

Hampton Roads and the U.S. : 1979 to 2012



Old Dominion University 2013 Forecast for Hampton Roads MSA

	2012*	2013	% Change
Nominal Gross Regional Product	\$85.42B	\$88.30B	
Real Gross Regional Product (2005=100)	\$73.83B	\$75.07B	+1.68
Civilian Employment	742,142	747,337	+0.7
Unemployment Rate	6.4 %	5.6 %	
Taxable Sales	\$19.94B	\$20.68B	+3.7
Hotel Revenue	\$671.94M	\$694.12M	+3.3
General Cargo Tonnage	17.53M	18.26M	+4.2
Housing Permit Value	\$684.82M	\$740.97M	+8.2

*Figures for calendar year 2012 include predicted values for Dec. 2012.

2013 Regional Summary

- Sequestration resolution at this time is uncertain.
- Look for regional economic growth to be below its half-century annual average of 3.2 percent and below that of the nation.
- Port, health-care industries, and tourism are likely to help the region's economic expansion in 2012
- Single-family home prices in 2013 are likely to continue to increase at a moderate pace.
 - Inventories, days-on-market, and months of supply are moving in the right direction
- Lingering distressed volume remains a concern
 - REOs appear to be one of the driving forces behind lower home prices

Any Questions?

Slides used in both presentations will be available on our website by tomorrow

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www.odu.edu/forecasting

